ANNUAL REPORT 2018

ENERGO-PRO GROUP

ENERGO-PRO

“WORKING IN COMPLIANCE WITH NATURE”

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of

ENERGO - PRO a.s.

Having its registered office at: Na poříčí 1079/3a, Nové Město, 110 00 Praha 1

Opinion

We have audited the accompanying consolidated financial statements of ENERGO - PRO a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of ENERGO - PRO a.s. as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified following key audit matters:

Key Audit Matter	How it was addressed
Valuation and recoverability of goodwill	
As disclosed in the consolidated statement of financial position line "Goodwill", the Group reports Goodwill of EUR 63,573 thousand as of 31 December 2018. In accordance with IFRSs as adopted by EU, the Group is required to test annually goodwill for impairment. The Group performed this analysis and determined that there was no impairment. We have determined this is a key audit matter due to the significant judgement required by the Management in preparing a model to perform the impairment test. Details of the assumptions and estimation used has been disclosed in Note 3 and Note 8 to the consolidated financial statements.	Our audit procedures included among others: ≈ Test the assumptions and methodologies used by management for the impairment test. ≈ Consider whether any specific impairment indicators are present. ≈ Test data used for the impairment test and its mathematical accurary. ≈ Perform sensitivity analysis. ≈ Assess and validate the adequacy and appropriateness of the disclosures made in the financial statements.
Impact of adoption of IFRS 9 and IFRS 15	
According to Note 2 and Note 4 to the consolidated financial statements in relation to the new IFRS 9, as of January 1, 2018, the Group has applied a new model for the expected creditlosses. Group also applied IFRS 9 to the guarantee contracts in place and consider whether such guarantees are in scope of new standard and proper recognition, measurement and presentation. According to Note 2 and Note 4 to the consolidated financial statements, the effect of the change to the accounting policy in relation to the first-time adoption of IFRS 15 is elimination of revenue for future periods related to the revenue from connection fees at the amount of EUR 21,208 thousand and the effect of the change to the accounting policy in relation to the first-time adoption of IFRS 15 is elimination of revenues from contracts with customers for the sale of electricity and revenue from contracts with customers for sale of network components. When adopting IFRS 15, the Group has reviewed the contracts for network components, transmission fee, price for access and obligation to society and believes that there is an agent relationship. Overall impact from adoption of IFRS 9 and IFRS 15 was EUR 23,279 thousand increase in Equity. Due to the significance of these matters and the difficulty in valuating the effects of the application, we consider these as key audit matters.	Our audit procedures included among others: ≈ Inquiries and checking documents to obtain an understanding of the process of measurement of the impact of IFRS 9 and IFRS 15. ≈ Assessment of the analysis prepared by the Group in relation to the adoption of the new standards for the purpose of determining whether the requirements of the standards are adequately applied. ≈ Review of the new accounting policies that the Group has adopted to meet the requirements of the standards. ≈ Obtain understanding and perform a critical review of the significant types of sales contracts of the Group. ≈ Participation of our IFRS experts who assisted the audit team when analyzing impact of IFRS 9 and IFRS 15. ≈ Verification of the mathematical accuracy of the calculation of the impact of the adoption of IFRS 9 and IFRS 15, and substantive testing of primary information used. ≈ Review and assessment of the completeness, appropriateness and sufficiency of the disclosures in the financial statements regarding the initial application of the new standards.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Group's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 5 April 2019

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Pavel Raštica registration no. 2180
Deloitte	Raštica

INTRODUCTION BY CHAIRMAN OF THE BOARD OF DIRECTORS

LADIES AND GENTLEMEN,

ENERGO-PRO a.s. and its subsidiaries (the "Group") had successful year in 2018. We continued in our long-term strategy of stabilizing and consolidating our activities across the Group.

2018 confirmed that hydropower has a tremendous long-term growth potential. Several factors, such as increasing emphasis on the environment and human health, the growing demand for energy in emerging economies, carbon-free legislative changes and new initiatives and targets set by governments at all levels, proved that all renewable energy sources are growing in importance every year. I continue to believe that the Group is well positioned to play a significant role in this field.

The Group's major strength is its long-term presence in, and knowledge of, the countries in which it operates. Our technical experts implement creative solutions for the operation and maintenance of the Group's facilities through a careful assessment of the efficiency of each project and innovative technologies.

The Group's most significant achievement in 2018 was completion of the centralisation of its funding model. In May 2018, we successfully placed our second Eurobond issue in the amount of EUR 250 million, mainly with international institutional investors.

Other important milestones are briefly summarised below by our countries of operation:

Bulgaria

2018 was another year of successful changes for our Bulgarian companies. Our distribution company carried out extensive investments in its network and quality of the electricity supply. Our hydropower business recorded above-average generation volumes. Finally, our trading companies initiated a merger process to form a single company and thus strengthen market position.

Georgia

Our Georgian distribution company also made notable investments in its assets in line with our long-term strategy of network rehabilitation and new customer connection. These included investments in the region of Kakheti, where distribution assets were acquired during 2017, in order to secure a stable electricity supply across the entire network. Hydropower generation was in line with our long-term forecasts.
Both businesses (electricity distribution and hydropower generation) benefited from continuing market liberalisation, in particular from deregulation of the tariffs of several HPPs and resulting in tariff increases.

Turkey

In 2018, our Turkish generation facilities had to cope with the second dry year in a row. Impact of unfavourable economic developments in Turkey in second half of the year was rather limited as the whole hydropower portfolio benefited from the USD-denominated tariffs. Turkey remains an important market for the Group, with enormous potential in terms of hydropower sources.

Group Mission

I am pleased to conclude that the Group has had another successful year. Looking forward, our ambition remains unchanged - WORKING IN COMPLIANCE WITH NATURE. This means creating effective energy solutions, producing more energy in a sustainable way, and helping to make the world a cleaner place.
I believe these goals are important not only for our employees and stakeholders but also for our customers and society as a whole.

Jaromir Tesar
chairman of the Board of Directors

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ENERGO-PRO GROUP AT A GLANCE

ENERGO-PRO GROUP AT A GLANCE

Mission

Working in Compliance with Nature.

Vision

To position ourselves as a leading hydropower operator and distributor and supplier of electricity in Central and Eastern Europe, meeting energy demand and serving the needs of an actively developing region.

Presence in countries

Czech Republic / Bulgaria / Turkey / Georgia

Profile

We focus on the ownership and operation of generation facilities and distribution grids in Central and Eastern Europe, the Black Sea region and the Caucasus. We follow a strategy of international expansion by building up our asset base and developing it over the long term.

We own, operate, and manage hydroelectric power plants and infrastructure networks for the distribution and supply of electricity in the countries where we operate. Our business is conducted in a responsible way in order to achieve a stable financial return balanced with long-term growth and the fulfilment of our commitments to the community and the environment.

Core Values

≈ **Efficiency** – in operations, investments and growth efforts
≈ **Reliability** – a reliable electricity supply to our customers and business partners
≈ **Responsibility** – providing for the sustainable growth of the energy sector and maintaining strong relationships with authorities and governments
≈ **Compliance** – always complying with local and international energy sector legislation and environmental standards
≈ **Tolerance** – towards our people, our partners, our customers and the environment
≈ **Expertise** – always improving the qualifications of our personnel
≈ **Safety** – safe operations through active investments in the improvement of our networks and the rehabilitation of the existing hydropower plants.

Core activities and specialisation

Power generation

≈ Proven operational experience and knowledge
≈ Successful large-scale rehabilitation projects
≈ Experience in operating hydropower plants with capacity above 100 MW

Electricity distribution

≈ Management of large distribution grids
≈ Provision of continuous supply and quality of electricity to a large number of customers
≈ Network modernization, planning and optimization

Power trading

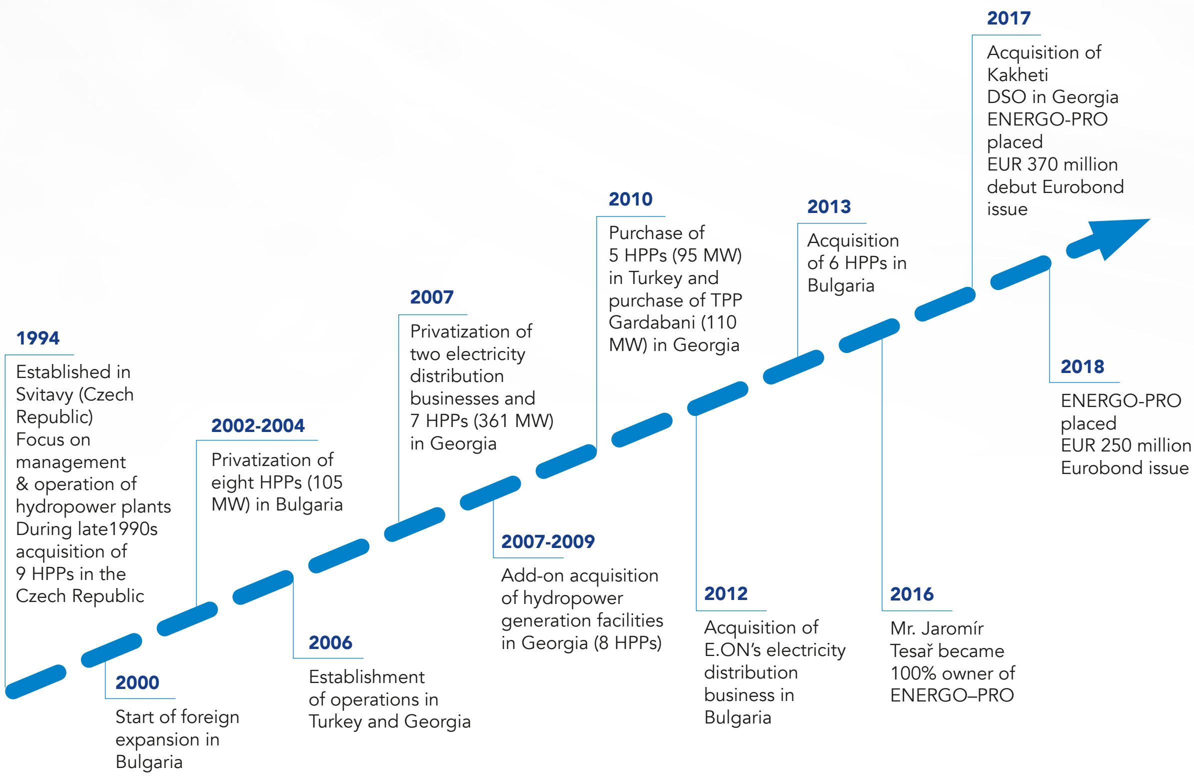
≈ Experience in cross-border electricity trading
≈ Execution of large-scale trade contracts

ENERGO-PRO GROUP Facts and Figures

- Established in 1994 in Svitavy, Czech Republic
- Main focus on Central and Eastern Europe, the Black Sea and the Caucasus
- The largest utility in Georgia and the largest privately-owned generator of renewable energy in Bulgaria
- Total installed capacity of 853 MW (34 hydropower plants with installed capacity of 743 MW and a gas turbine power plant with installed capacity of 110 MW)
- Environmentally-friendly power generation of 2.8 TWh in 2018
- Serving more than 2 million grid customers with 11 TWh of electricity distributed in Georgia and Bulgaria
- Almost 9,000 employees in 4 countries
- Engaged in international power trading

Historical milestones

ENERGO-PRO Group has grown its portfolio over the past 24 years through targeted acquisitions. Here are the most significant milestones in the development of our group:

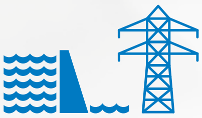


ZAHESI HPP, GEORGIA

The Zahesi HPP is the oldest of all HPPs operated by ENERGO-PRO. Its construction began in 1927, and it was the first HPP in Georgia. It is built on the river Mtkvari, near Mtskheta, near the mouth of the rivers Mtkvari and Aragvi. The HPP uses the drop of the river Mtkvari in 11 km long section. According to the project, the total capacity of the reservoir created by the dam is 12 million m^3, live storage is 3 million m^3, which is provided for daily regulation.

Strategic priorities

ENERGO-PRO Group's strategy is focused on generating stable, predictable cash flows from electricity distribution and hydropower generation assets, as well as on selective expansion through attractively priced assets.



ENHANCING GENERATION AND DISTRIBUTION ASSETS	**Distribution & supply** Carrying out various rehabilitation and re-metering projects throughout ENERGO-PRO Group's coverage area ≈ Reducing commercial grid losses ≈ Improving the distribution network ≈ Improving the quality of the electricity supply	**Hydro generation** Cost-effective rehabilitation and moder-nization program ≈ Increasing the efficiency of hydropower plants ≈ Improving the reliability and safety of hydropower plants ≈ Prolonging the service lifetime of hydropower plants
FURTHER INCREASING FINANCIAL STABILITY AND FLEXIBILITY	≈ Effective cost control across the group ≈ Increased financial stability of the group ≈ More flexibility in raising capital and deploying funds to strategic projects	
GROWTH THROUGH SELECTIVE ACQUISITIONS AND DEVELOPMENT	≈ Leveraging operational expertise and knowledge of the markets in which ≈ the group currently operates to pursue selective acquisitions ≈ Diligent and disciplined approach with regard to the strategic fit, purchase price and achieving synergies ≈ Strong focus on attractively-priced, quality assets disposed of due to a strategic re-focus or distress of their owners	

Research and development

The Group performs research and development activities. The know-how and specialised knowledge of employees are utilised by the Group in all the territories in which it operates, especially by the subsidiary company MEGAWATT SERVIS s.r.o., which employs specialists in the hydro energy sector. The Group also successfully cooperates with its affiliated specialised hydropower engineering companies.

Environmental protection

The Group makes significant efforts in the areas of health protection for its employees and environmental protection – each subsidiary complies with all applicable local and international environmental protection standards. The mission of the Group is to work in compliance with nature.

Labour relations

The Group complies with all applicable labour law regulations in the Czech Republic and the other countries in which it operates.

Social Responsibility

The Group's social responsibility emphasizes the secure supply and generation of electricity, creating solutions for sustainable environmental, operational and occupational safety, employee wellbeing, as well as ethical business operations and compliance with regulations.

Other

One of the Group companies, MEGAWATT SERVIS s.r.o., has a branch in Georgia to maintain its business activities there. There are no other branches within the Group .

The financial position of the Group for the year ended 31 December 2018 is presented in the Consolidated Financial Statements that form an integral part of this annual report.

Subsequent events

ENERGO-PRO a.s. and the Bulgarian subsidiary ENERGO-PRO Varna EAD signed a share sale and purchase agreement for the purchase of ENERGO-PRO Trading EAD. The agreement was signed at the end of 2018 and the transfer of the shares will take place in 2019 (for more information see the ENERGO-PRO Varna EAD section).

No events that could have a material impact on the Consolidated Financial Statements for the year ended 31 December 2018 and those disclosed in Note 34 of the attached Consolidated Financial Statements have occurred subsequent to the year-end.

STARA ZAGORA HPP, BULGARIA

The Stara Zagora HPP is a part of the Koprinka Cascade. The HPP is located on the river Tundja near the city of Stara Zagora. The whole cascade was built between 1954 – 1955, and it was acquired by ENERGO-PRO in 2002. The average annual power production of the cascade is 78.1 GWh.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS ENERGO-PRO GROUP

FINANCIAL AND OPERATIONAL HIGHLIGHTS ENERGO-PRO GROUP

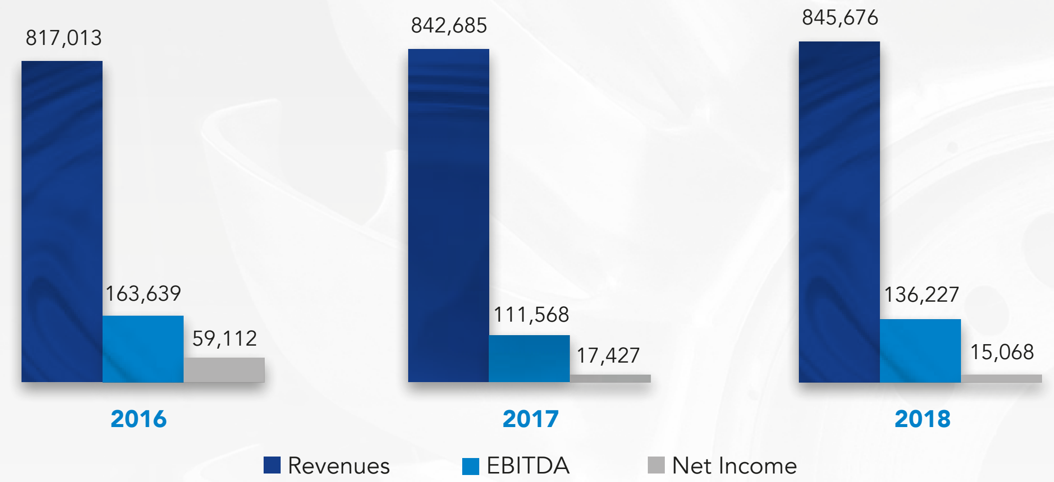
Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

ENERGO-PRO Group Highlights

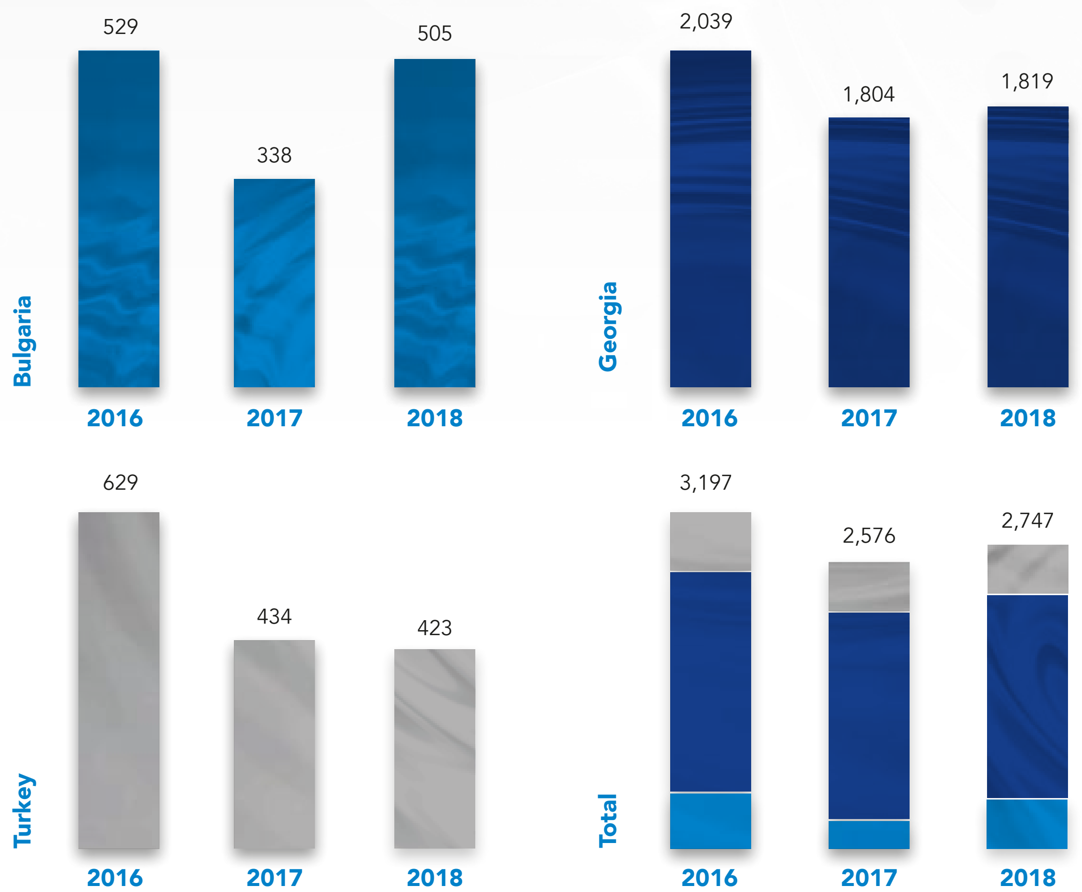
EUR ('000)	2016 Restated	2017 Restated	2018
Revenues	817,013	842,685	845,676
EBITDA	163,639	111,568	136,227
EBITDA Margin (%)	20.0%	13.2%	16.1%
Income before Tax	52,040	17,987	14,607
Net Income	59,112	17,427	15,068
Net Income Margin (%)	7.2 %	2.1%	1.8%
Total Assets	914,538	997,802	1,044,025
Property, Plant and Equipment	472,549	452,416	458,127
Cash & Cash Equivalents	82,116	43,366	44,419
Total Debt	506,050	594,050	621,135
Total Equity	235,151	222,823	267,892
Capital Expenditure	36,777	54,225	63,418
Generation of electricity (GWh)*	3,267	2,626	2,810
Supplied electricity (GWh)	9,886	10,718	11,452
Number of customers	2,099,231	2,264,342	2,410,760
Number of employees	8,265	8,843	8,971

* Includes hydropower plant generation and generation of gPower (thermal power plant)

ENERGO-PRO Group – Revenues, EBITDA & Net Income, EUR ('000)



ENERGO-PRO Group – Annual hydropower electricity generation (GWh)



SHAORI HPP, GEORGIA

The Shaori HPP was put into operation in 1959. As a result of the reconstruction of the units N1 and N2, the HPP's installed capacity has increased and is 40.32 MW now, instead of 38.4 MW which was the originally designed installed capacity.

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BUSINESS ACTIVITIES IN 2018

3.1 ENERGO-PRO IN BULGARIA

ENERGO-PRO VARNA EAD

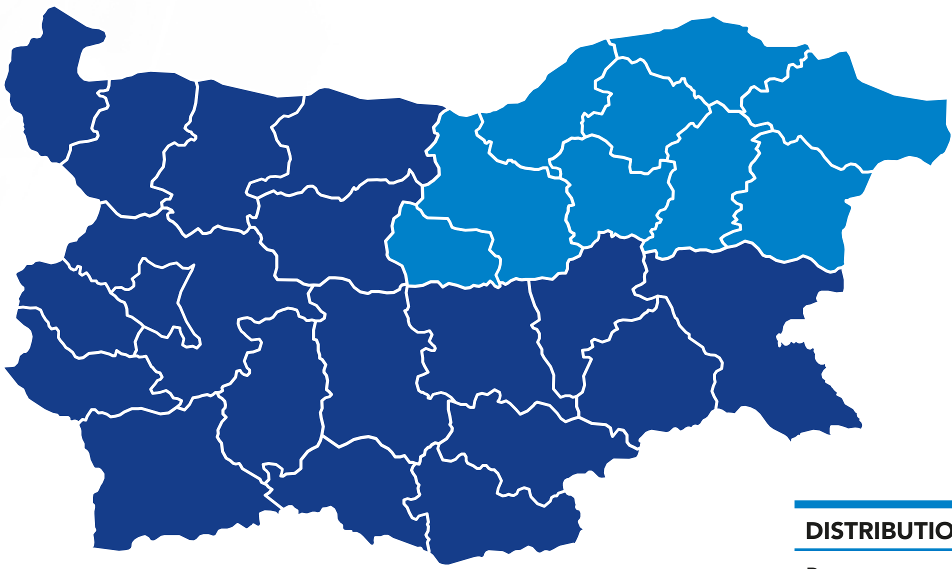
At the end of June 2012 ENERGO-PRO a.s. purchased the distribution company operating in North-eastern Bulgaria and thus acquired companies holding licences for the following activities in the energy sector and forming ENERGO-PRO Varna EAD ("EP Varna"):

EP Varna has the following subsidiaries:

- Distribution of electricity – **Electrodistribution North AD** (regulated market)
- Electricity supply – **ENERGO-PRO Sales AD** (regulated market)
- Electricity trading – **ENERGO-PRO Energy Services EOOD** (non-regulated market)

The licence territory of Electrodistribution North AD ("Electro North") and ENERGO-PRO Sales AD ("EP Sales") is nearly 30,000 square kilometres and covers nine administrative regions in North-eastern Bulgaria - Varna, Veliko Tarnovo, Gabrovo, Dobrich, Razgrad, Ruse, Silistra, Targovishte and Shumen. Electro North's main business activities are the operation of the electricity distribution grid (middle and low voltage) and distribution and supply of electricity. The total length of the distribution network is 42,535 km, with 5.7 TWh of average supplied electricity. EP Sales supplies electricity to more than one million customers and provides related services. ENERGO-PRO Energy Services EOOD ("EP Energy Services") sells electric power at freely negotiated prices and is one of the leading suppliers on the liberalised market. The company has long-standing experience and was among the first traders registered on the Bulgarian electricity market. At the beginning of July 2012, the company's licence to trade in electricity was supplemented with the rights and obligations of the business coordinator for the standard balancing of EP Varna.

EP Varna – Distribution Business



DISTRIBUTION BUSINESS
Power transmitted: 6.3 TWh
Area covered: 29,000 sq km
Network length: 42,535 km

■ Distribution network coverage

Financial and Operational Highlights of EP Varna

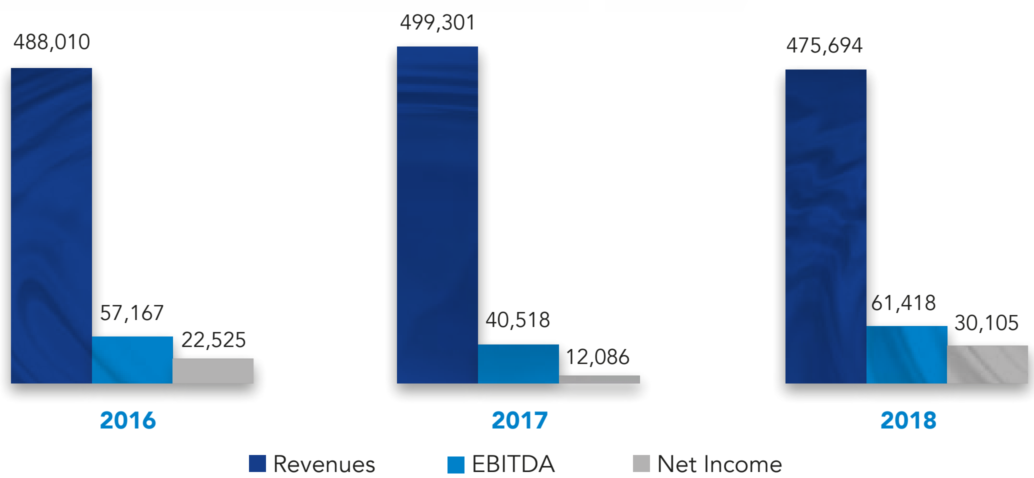
Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

EP Varna Highlights

(EUR '000)	2016	2017	2018
Total Revenues (incl. Other Income)	488,010	499,301	475,694
EBITDA	57,167	40,518	61,418
Income before Tax	26,392	13,987	35,971
Net Income	22,525	12,086	30,105
Total Assets	375,467	304,518	307,596
Total Equity	127,256	100,933	151,493
Capital Expenditure	8,361	14,016	18,447
Distributed electricity (GWh)*	5,498	5,676	5,817
Supplied electricity (GWh)**	5,599	5,823	6,036
Number of customers**	1,073,579	1,074,379	1,197,090
Number of employees	2,346	2,335	2,302

* Electrodistribution North AD
** ENERGO-PRO Sales AD + ENERGO-PRO Energy Services EOOD

EP Varna – Revenues, EBITDA & Net Income, EUR ('000)



Business Environment in 2018

The Bulgarian economy posted GDP growth of 3.1% (Source: IMF), driven mainly by domestic demand. Bulgaria is one of the most dynamic countries in the region and is likely to remain so.

A substantial part of EP Varna's revenues is generated from the supply and distribution of electricity on the regulated market. Therefore, its activities and development are dependent on the decisions of the Energy and Water Regulatory Commission ("EWRC") with respect to prices in the energy sector.

The IVth regulatory period 2015–2018 ended on June 30th, 2018 and the first year of the Vth regulatory period started on July 1st, 2018. The duration of the Vth regulatory period is 3 years. Year 2020 will be a basis year for the next regulatory period, which will start on July 1st, 2021.

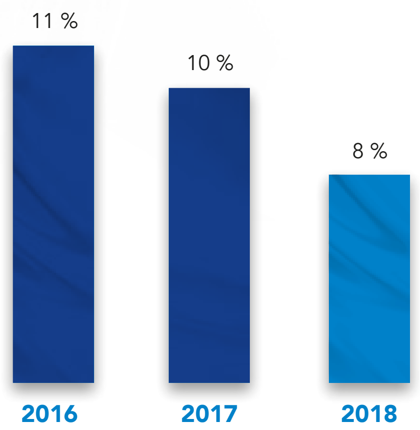
Activity & Results of EP Varna in 2018

Consolidated revenues for 2018 amounted to EUR 475.7 million and EBITDA to EUR 61.4 million. During 2018, EP Varna supplied in total 6,036 GWh of electricity. Revenues from electricity sold amount to EUR 466.3 million with a gross margin of EUR 91.9 million.

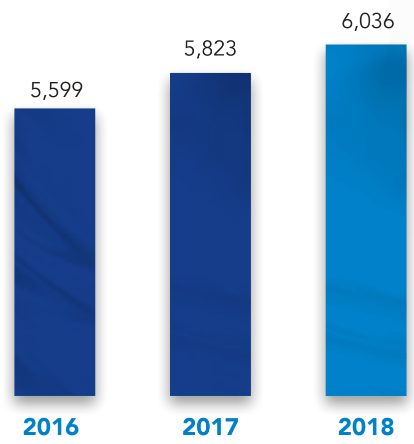
The individual companies' results for the year 2018 were as follows: Electro North's EBITDA reached EUR 45.3 million, EP Sales' EBITDA stood at EUR 10.6 million and EP Energy Services' EBITDA was 4.2 million.

The 2018 grid electricity losses were 8.0%, a decrease of two percentage points in comparison to the previous period. EP Varna has been successfully reducing grid electricity losses over many years.

EP Varna – Grid electricity losses (%)



EP Varna – Supplied volume of electricity (GWh)



DISTRIBUTION NETWORK, ENERGO-PRO VARNA EAD

Investment Activities & Projects of EP Varna in 2018

Investments in 2018 were focused on reducing commercial grid losses, improving the distribution network, the quality of electricity supply as well as compliance with legal obligations. EP Varna's total investments in 2018 amounted to EUR 18.4 million (more than EUR 4 million increase in comparison to the previous year), of which more than three quarters were related to meter replacements, new customer connections and improvements to the grid.

An overview of the most significant investments is as follows:

- Meter program – EUR 6.5 million: installation and simultaneous reallocation of conventional/smart meters and meter boards (with focus on reduction of non-technical losses);
- Network improvement – EUR 5.6 million: rehabilitation and extension of middle/ low voltage substations, reconstruction of lines in areas with high technological losses and problems with the quality of distributed electricity;
- New customer connections – EUR 3.0 million: mainly connections of residential buildings; and
- Vehicles – EUR 2.1 million: purchase of vehicles to replace old fully depreciated ones.

Key prospects for 2019

- Business combination: at the end of 2018, EP Varna signed a share sale and purchase agreement with the parent company ENERGO - PRO a.s. for the purchase of ENERGO-PRO Trading EAD (an affiliated company). The transfer of shares will take place in 2019. This step strengthens the position of EP Varna on the Bulgarian free market.
- Merger of EP Trading and ENERGO-PRO Energy Services EOOD is expected to be finalized in the first half of 2019. Synergies are anticipated by way of this combination of companies active on the wholesale and retail markets. In addition, EP Energy Services will continue to improve the quality of its portfolio by reducing risk and improving profitability.

ENERGO-PRO BULGARIA EAD

ENERGO-PRO Bulgaria EAD ("EP Bulgaria") is the largest private producer of electricity from hydropower plants in Bulgaria. With total installed capacity of 166 MW and annual production of 505 GWh for 2018, the company is also the largest private producer of renewable energy in the country.

EP Bulgaria was established in 2000 as a result of the international expansion policy of ENERGO-PRO a.s. Presently the company owns and operates 14 hydropower plants. Ten of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

The priority of EP Bulgaria is to increase power generation levels and to improve the reliability of its hydropower plants through professional and cost-effective investments in rehabilitation and modernisation. The company has already achieved stable growth in production rates through excellence in technical operations, optimisation of workflow and minimisation of unprocessed water losses.

EP Bulgaria is an active partner to energy sector authorities in the process of liberalizing the local electricity market. The company is a pioneer participant in free electricity trade and has established itself as a reliable and flexible source of electricity in the region.

EP Bulgaria's HPPs

■ Stand-alone HPPs (Ogosta 5.0 MW, Karlukovo 2.3 MW, Samoranovo 2.9 MW, Katuntsi 3.5 MW)

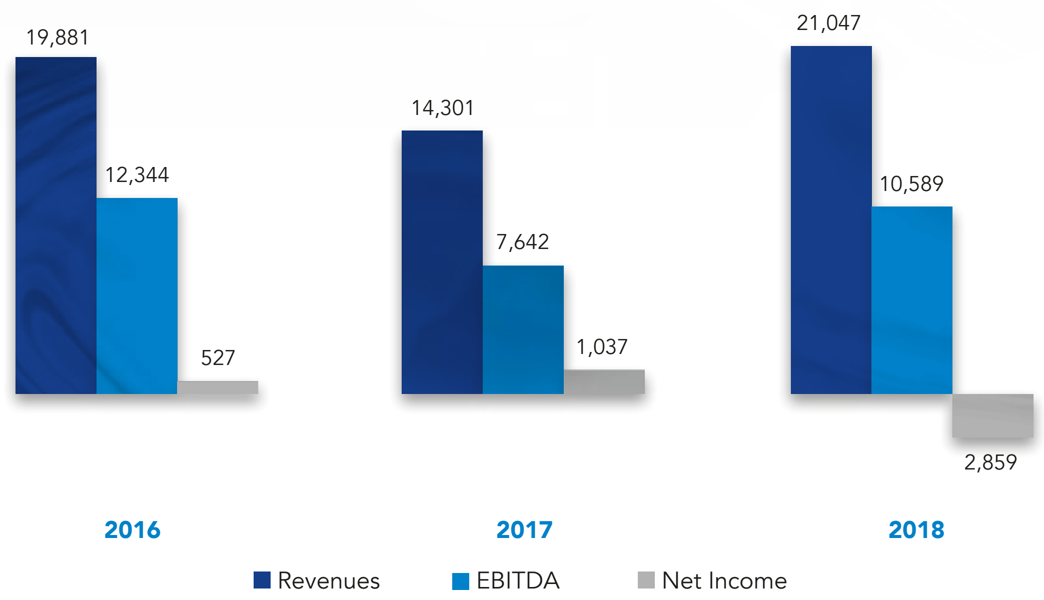
Financial and Operational Highlights of EP Bulgaria

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

EP Bulgaria Highlights

(EUR'000)	2016	2017	2018
Revenues	19,881	14,301	21,047
EBITDA	12,344	7,642	10,589
Income before tax	1,301	1,347	(2,813)
Net Income	527	1,037	(2,859)
Total Assets	92,342	89,142	82,303
Total Equity	34,189	35,226	78,607
Capital Expenditure	3,266	3,541	1,393
Generation of electricity (GWh)	529	338	505
Number of employees	162	157	145

EP Bulgaria – Revenues, EBITDA & Net Income (EUR'000)



Activity & Results of EP Bulgaria in 2018

Favorable hydrological conditions led to positive generation results for EP Bulgaria in comparison with the previous year. The total volume of electricity produced was 505 GWh and thus 2018 was one of the company's successful years.

The highest production results were achieved in HPPs located in Southwest and Central Bulgaria (mainly the Sandanska Bistritsa and Pirinska Bistritsa cascades). The Petrohan cascade situated in Northern Bulgaria also recorded a significant increase in production volumes.

Investment Activities & Projects of EP Bulgaria in 2018

EP Bulgaria invested more than EUR 1.4 million in rehabilitation and modernization projects, in accordance with its five year capital expenditure plan with a view to modernising and improving the safety of operations.

The most important projects in 2018 were related to the ongoing rehabilitation of the Koprinka cascade. The rehabilitation of Koprinka HPP was successfully completed and the unit was put into operation at the beginning of 2018.

Rehabilitation activities for Unit 2 in Stara Zagora HPP were launched at the end of 2018 and will be finished during 2019.

The mechanical and electrical parts of the rehabilitation of Samoranovo HPP was successfully completed and the unit was put into operation during 2018. The overall rehabilitation of Samoranovo HPP will be fully completed with the end of construction of the new penstock in 2019

Key prospects for 2019

≈ Continuation of EP Bulgaria's capital expenditure plan: Koprinka cascade rehabilitation process (rehabilitation of Unit 1 and Unit 2 of Stara Zagora HPP is expected to be completed in 2019).

≈ Reforms in the energy sector and related legislation: as of January 1, 2019, the Energy Exchange model will be launched.[1]

[1] RES producers with installed capacity of 4 MW or more will have the option to sell their production either directly on the Independent Bulgaria Energy Exchange („IBEX platform") or to sell their output to the coordinator of their balancing group which will then resell it on their behalf.

BARZIA HPP, BULGARIA

The Barzia HPP is a part of the Petrohan Cascade. The HPP is located near the village of Barzia. The whole cascade was built between 1953 – 1956, and it was acquired by ENERGO-PRO in 2004. The average annual power production of the cascade is 56.1 GWh.

ENERGO-PRO TRADING EAD

The principal activity of ENERGO-PRO Trading EAD ("EP Trading") is electricity trading. The company actively trades electricity in Bulgaria and in its neighbouring countries (Greece, Macedonia, Serbia, Romania and Turkey). The company strives to strengthen the Group position in Central and Southeastern Europe ("CSEE"), to grow trading turnover, and to supply electric power to business clients in the region. The company offers clients flexibility in forecasting, quick reaction to changing conditions on the free market and large-scale trading agreements.

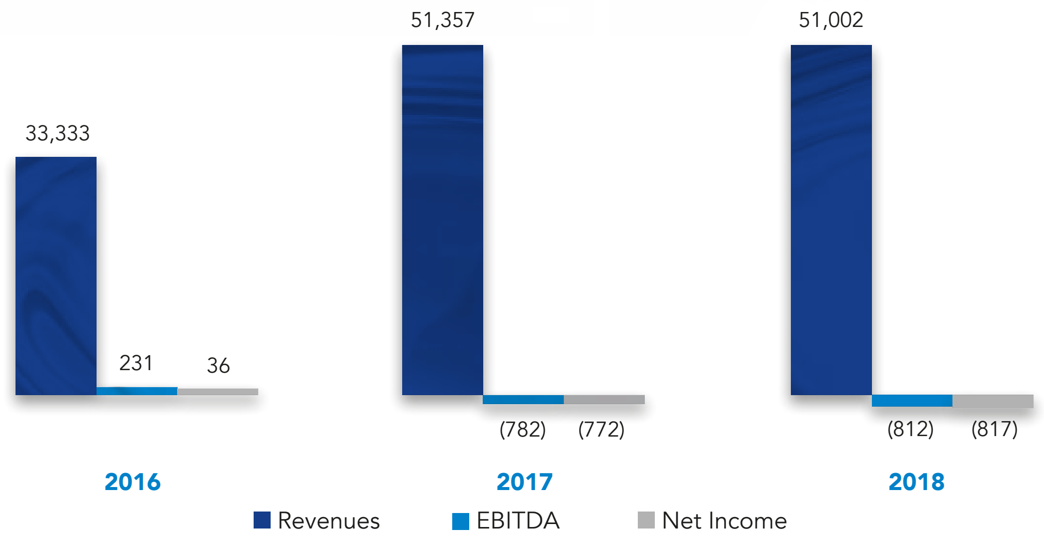
Financial and Operational Highlights of EP Trading

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

EP Trading Highlights

(EUR'000)	2016	2017	2018
Revenues	33,333	51,357	51,002
EBITDA	231	(782)	(812)
Income before Tax	41	(857)	(907)
Net Income	36	(772)	(817)
Total Assets	6,918	9,474	7,276
Total Equity	2,784	2,014	1,197
Total electricity traded (GWh)	999	1,499	1,085
Number of employees	8	8	9

EP Trading - Revenues, EBITDA & Net Income (EUR'000)



Activity & Results of EP Trading in 2018

The company, which has been in operation since 2012, realized over EUR 51 million of trading turnover. Its main focus is the optimization of the regional portfolio and the establishment of a stable and reliable presence through establishing long-term relationships with leading companies in the energy sector.

In 2018, EP Trading focused mainly on:

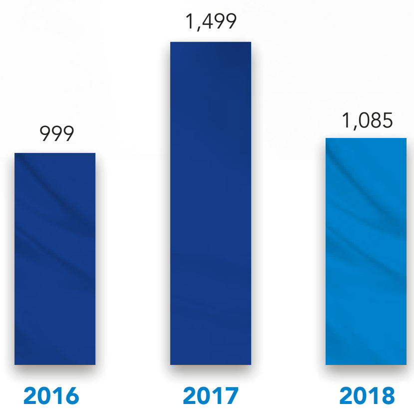
≈ Initiation of the merger of EP Trading and EP Energy Services (for more information see the EP Varna section);

≈ Commencement of the registration process on the European Energy Exchange ("EEX") with a view to extending trading activities;

≈ The start of trading on the new platform of the Bulgarian power exchange – Intraday Market; and

≈ Active support of its sister company ENERGO-PRO Energy Services EOOD in the development of its strategy, power procurement activities and winning of new customers.

EP Trading – Volume of traded electricity (GWh)



Key prospects for 2019

≈ To successfully create a single trading company by merging EP Trading and ENERGO-PRO Energy Services EOOD.

≈ To operate on the internal market in Bulgaria and engage in wholesale trading in the region.

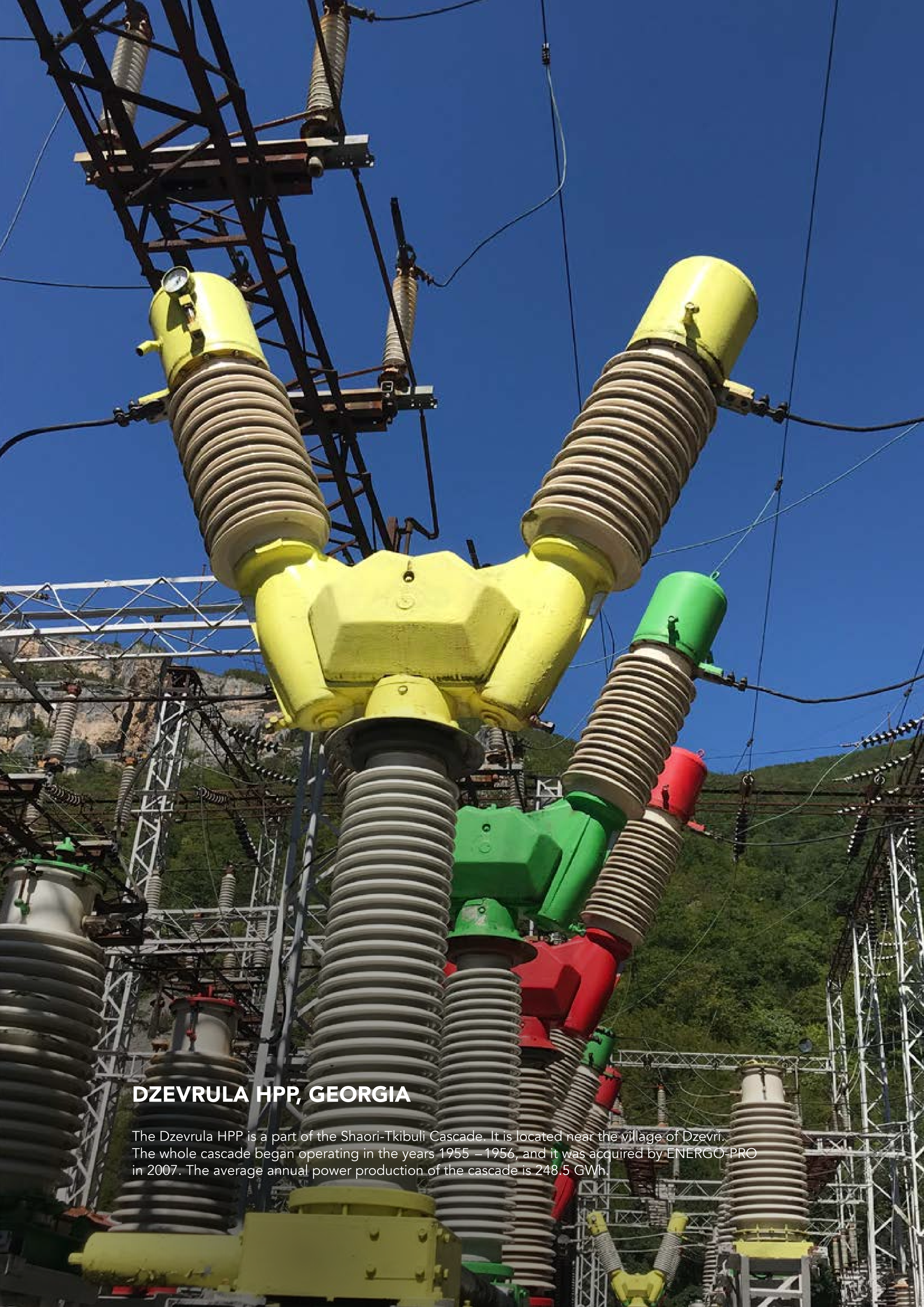
SANDANSKA BISTRITSA CASCADE, BULGARIA

The cascade of hydropower plants is located near the spa town of Sandanski at the foot of the Pirin Mountains in the southeast of Bulgaria. The cascade consists of three high-pressure hydropower plants with accumulative function with a total installed capacity of 56.40 MW. A natural waterfall is situated in the vicinity of the Popina Laka Hydropower Plant.

The hydropower plants process mountain water. There is a large number of headwater channels and reservoirs, which enable daily water accumulation and operation in a peak load regime. The cascade was built between 1969–1971, and was acquired by ENERGO-PRO in 2002. In the years 2004 – 2006, the cascade underwent a complete reconstruction carried out with the participation of Czech companies.

SPANCHEVO HPP, BULGARIA

The Spanchevo HPP is a part of the Pirinska Bistritsa Cascade. The HPP is located on the river Pirinska Bistritsa near the village of Spanchevo. The cascade was built between 1981 – 1992, and it was acquired by ENERGO-PRO in 2013. The average power production of the cascade is 118.7 GWh.



DZEVRULA HPP, GEORGIA

The Dzevrula HPP is a part of the Shaori-Tkibuli Cascade. It is located near the village of Dzevri. The whole cascade began operating in the years 1955 – 1956, and it was acquired by ENERGO-PRO in 2007. The average annual power production of the cascade is 248.5 GWh.

3.2 ENERGO-PRO IN GEORGIA

ENERGO-PRO GEORGIA JSC

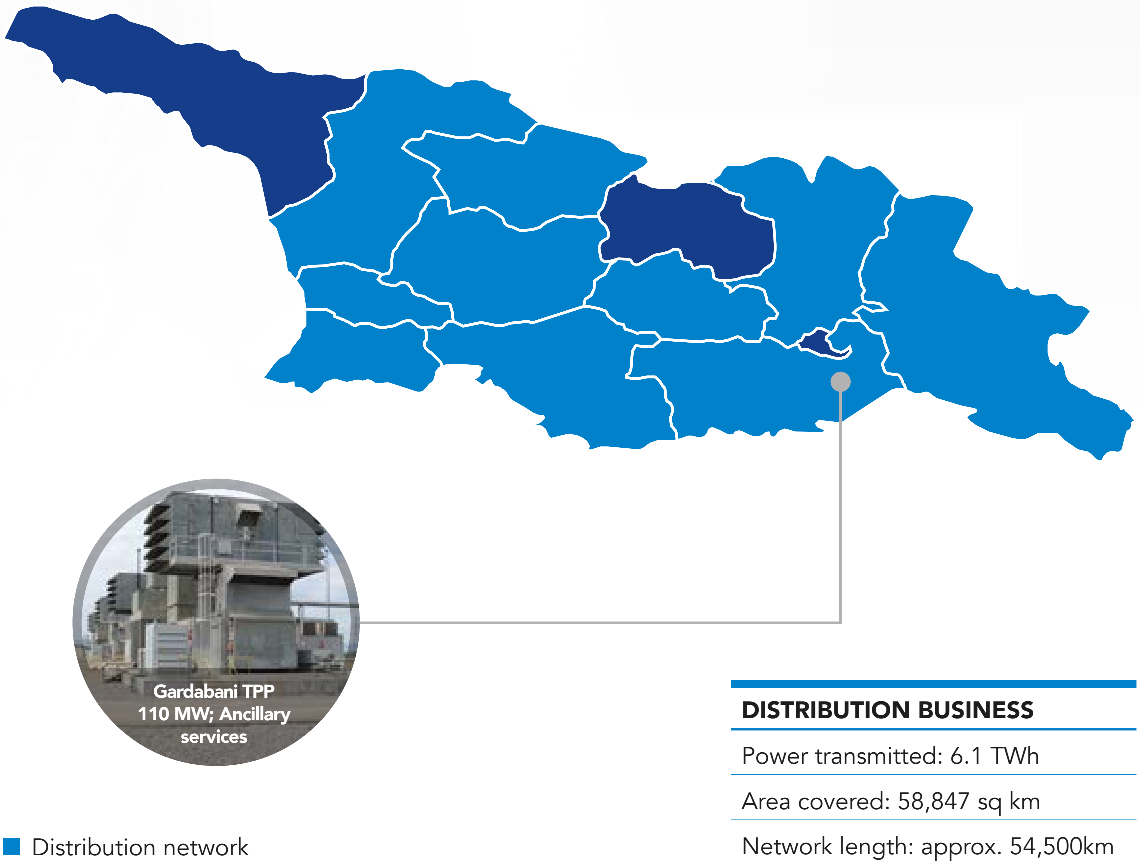
In terms of the number of customers served, and sales and service territory, ENERGO-PRO Georgia JSC ("EP Georgia") is the largest energy company in Georgia. Since its establishment in 2006 the company has engaged in electricity distribution and currently provides a reliable power supply to more than one million customers across more than 85% of the country's territory. EP Georgia also owns and operates one gas turbine power plant with a capacity of 110 MW.

EP Georgia has made substantial investments in the modernisation and maintenance of its assets. The company carries out continuous electricity grid rehabilitation and individual re-metering projects throughout its coverage area in order to improve the electricity grid and provide a high-quality electricity supply to its customers.

EP Georgia has the following subsidiaries:

- Electricity generation – gas turbine power plant – **LLC gPower**
- Dormant company – **LLC Zoti Hydro**

EP Georgia – Distribution Business



DISTRIBUTION BUSINESS
Power transmitted: 6.1 TWh
Area covered: 58,847 sq km
Network length: approx. 54,500km

Financial and Operational Highlights of EP Georgia

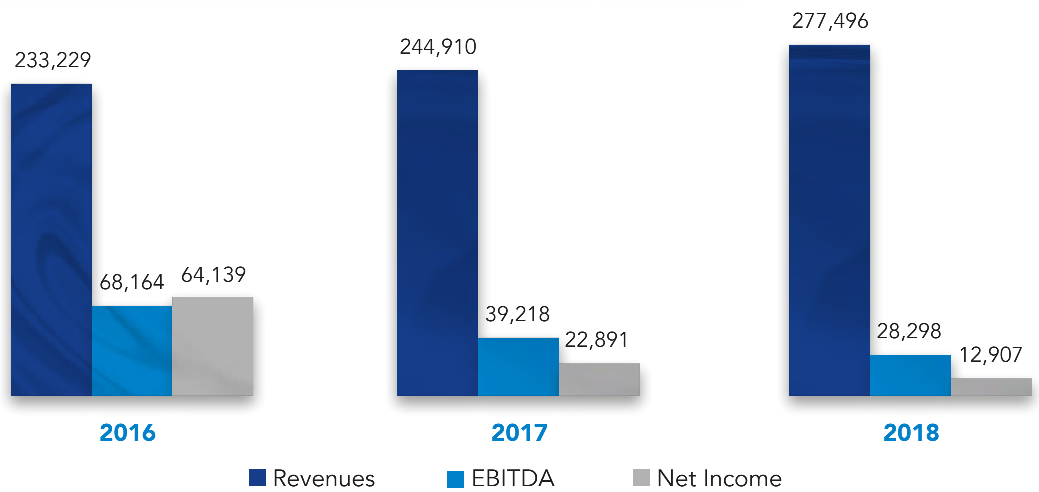
Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

EP Georgia Highlights

(EUR '000)	2016 Restated *	2017 Restated	2018
Revenues	233,229	244,910	277,496
EBITDA	68,164	39,218	28,298
Income before Tax	46,701	22,891	12,907
Net Income	64,139	22,891	12,907
Total Assets	364,170	243,699	227,831
Total Equity	199,319	148,266	159,474
Capital Expenditure	26,688	26,905	32,887
Distributed electricity (GWh)	4,462	5,068	5,590
Supplied electricity (GWh)	4,293	4,895	5,416
Number of customers	1,025,652	1,189,963	1,213,670
Number of employess	4,844	5,463	5,514

* Figures for the year 2016 are combined for EP Georgia and EPGG.

EP Georgia – Revenues, EBITDA & Net Income, EUR ('000)



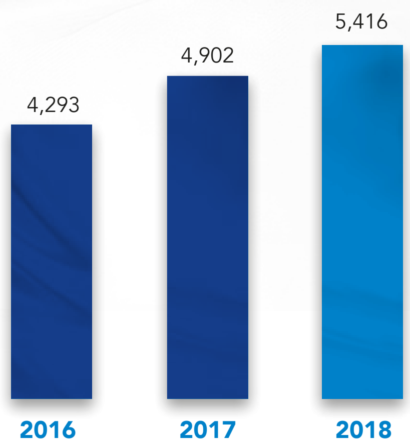
Business Environment in 2018

The Georgian energy sector continued to undergo material changes in 2018. Georgia has made significant progress in reforming the electricity generation, transmission and distribution sectors. Adoption of the new energy law in Georgia is expected to be finalized in 2019 which should provide additional guidance on further electricity market liberalization in Georgia.

The Ministry of Economy and Sustainable Development of Georgia ("MoEaSD") is responsible for energy sector reforms (since December 2017) and the authority continued in the widespread deregulation and privatisation of the sector in 2018. The second regulatory period started in 2018 and electricity distribution tariffs were set by the Georgian National Energy and Water Supply Regulatory Commission ("GNERC") for 3 years.

Further changes are expected as a result of the implementation of EU regulations, including day-ahead market trading and supply unbundling.

EP Georgia – Supplied volume of electricity (GWh)



Activity & Results of EP Georgia in 2018

EP Georgia supplied a total of 5,416 GWh electricity and increased the number of its customers by 2 % (23,707 new customers) in comparison with the previous year. The main factor influencing the year 2018 was the enlargement of the company's distribution territory (Kakheti region acquired during 2017). This increased domestic sales and strengthened the strong position of the company in the region.

DISTRIBUTION NETWORK, GEORGIA

The distribution network is continuously rehabilitated and modernised in order to provide reliable and high-quality electricity supplies to the customers.


ENERGO-PRO

Investment Activities & Projects of EP Georgia in 2018

EP Georgia carried out substantial investment projects in 2018. In order to improve the quality of the electricity supply, the company implemented projects relating to low and high voltage grids. This was in line with the company's strategic priority of high quality customer services. Additional projects were implemented in this area in 2018 (the customer service management program was improved, and call centre employees and customer service specialists were trained in regulatory matters and the improvement of customer service). Total capital expenditures reached EUR 32 million.

An overview of the most significant investments:

≈ Network rehabilitation - EUR 17.6 million: capital repair of high and middle voltage grid;

≈ New customer connections – EUR 6.3 million: with approximately 12,625 new connections in 2018; and

≈ Re-metering – EUR 1.2 million (for Kakheti region): a project for individual metering of electricity consumption (the program commenced in 2007 and by the end of 2017 it was fully implemented for the company's customers; during 2018 a re-metering program was introduced in the Kakheti region for twenty-two villages covering 7,317 customers).

Key prospects for 2019

≈ Annual energy balance for the country was approved and published by MoEaSD: projected consumption for 2019 is expected to be similar to 2018 (EP Georgia – increase by 12 %; consumption in Abkhazia – increase by 6 %).

≈ New connections: in 2019, the number of EP Georgia's new connections is estimated to reach 10,167 (the majority of new connections are residential buildings, hotels and shopping malls; notably, agriculture sector development in the regions of Georgia will increase the number of customers, as modern agriculture requires energy inputs at all stages of production).

ENERGO-PRO GEORGIA GENERATION JSC

ENERGO-PRO Georgia Generation JSC ("EPGG") was incorporated on 23 December 2016 after the reorganization of EP Georgia's assets. EPGG's principal activity is the generation of electricity from its portfolio of fifteen medium and small hydropower plants with a total installed capacity of 482 MW and annual production of 1,819 GWh.

EPPG's HPPs

■ HPPs with installed capacity below 20 MW
(Ortachala 18 MW; Atsi 18.4 MW; Chkhori 6.0 MW; Kinkisha 0.9 MW)

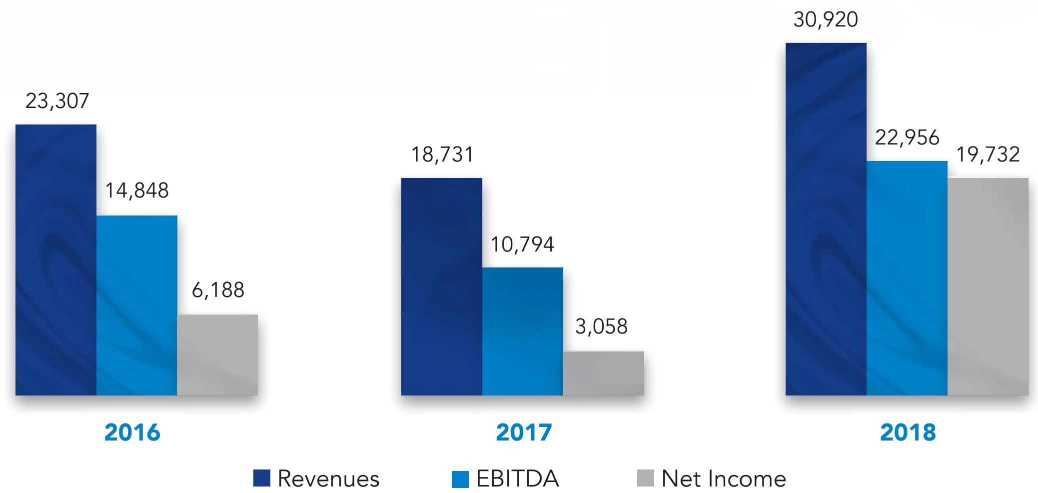
Financial and Operational Highlights of EPGG

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

EPGG Highlights

(EUR '000)	2016	2017 Restated	2018
Revenues	23,307	18,731	30,920
EBITDA	14,848	10,794	22,956
Income before Tax	4,172	3,058	19,732
Net Income	6,188	3,058	19,732
Total Assets	88,385	90,632	99,927
Total Equity	52,050	54,840	74,679
Capital Expenditure	-	5,190	8,245
Generation of electricity (GWh)	2,039	1,804	1,819
Number of employees	459	465	468

EPGG – Revenues, EBITDA & Net Income, EUR ('000)



Business Environment in 2018

The Georgian energy sector continued to undergo material changes in 2018. Georgia has made significant progress in reforming the electricity generation, transmission and distribution sectors. Adoption of a new energy law in Georgia is expected to be finalized in 2019, which should include provisions on further electricity market liberalization in Georgia.

The company's business performance in 2018 reflected the transforming environment in the Georgian energy market. The second regulatory period started in 2018 and electricity generation tariffs were set by GNERC for 3 years. One of the most important changes that impacted the company was the modification of the definition of regulated entities and the determination that HPPs with installed capacity of less than 40 MW, which are not sources of guaranteed capacity, are permitted to sell electricity on the free market.

As such, six out of the company's fifteen HPPs sold their electricity to EP Georgia at regulated prices. The remaining nine HPPs sold their electricity to EP Georgia at negotiated "market" prices.

Activity & Results of EPGG in 2018

After a successful reorganization in previous years, the company's overall performance in 2018 was strong. Revenues increased mainly due to tariff increase and deregulation of the tariffs of several HPPs.

The merger of JSC Zahesi, a former subsidiary company,with into EPGG was finalized in December 2018.

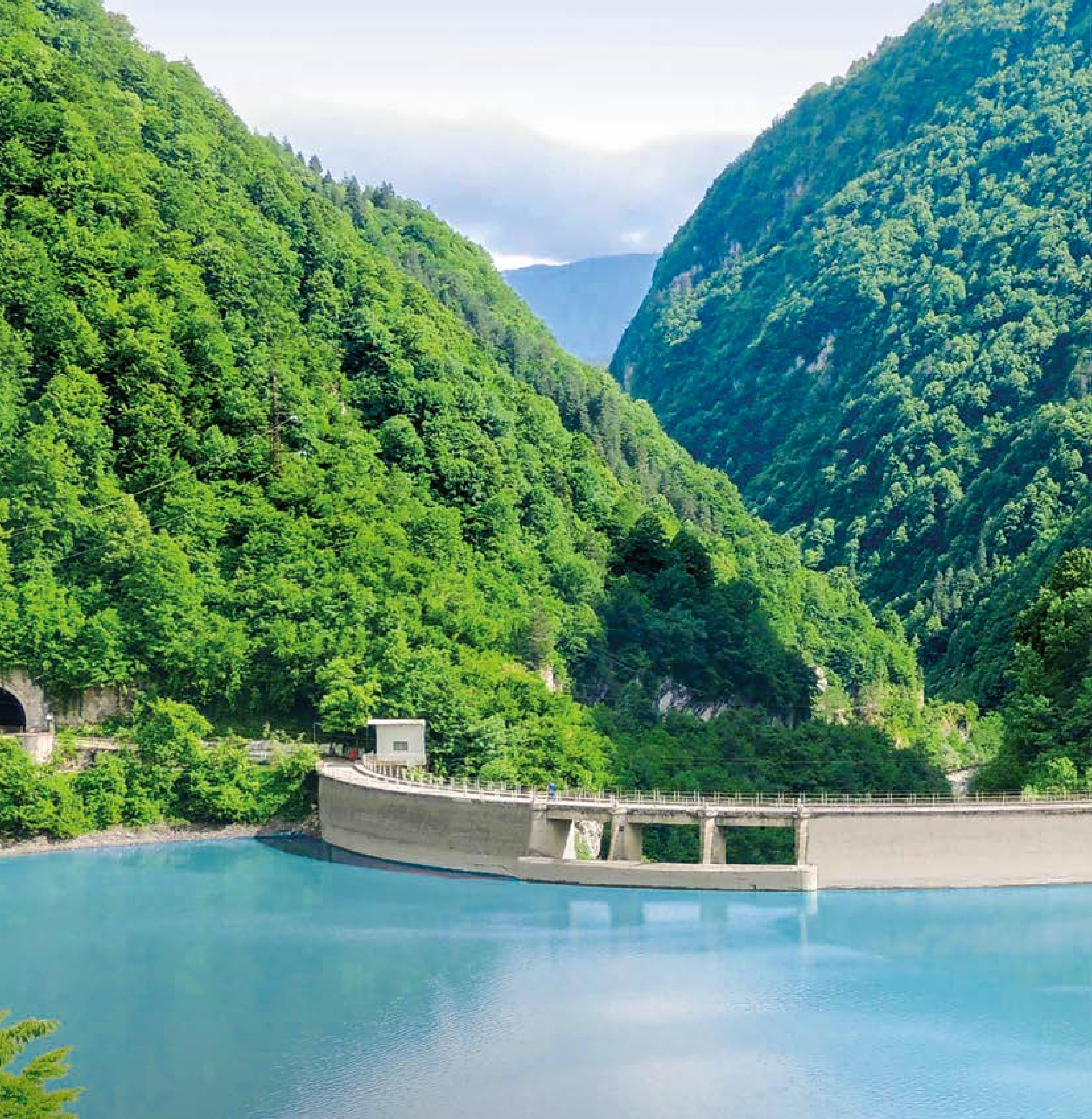
Investment Activities & Projects of EPGG in 2018

EPGG carried out substantial investment projects in 2018, aimed at increasing the efficiency, service lifetime and reliability of its hydropower plants. The most important of these include:

- Rehabilitation of HPP Gumati – EUR 2.08 million: rehabilitation of TG2
- Rehabilitation of HPP Gumati – EUR 0.88 million: rehabilitation of TG7
- Rehabilitation of HPP Lajanuri – EUR 0.79 million: replacement of spherical valve TG2

Key prospects for 2019

- To continue in the investment/ repair and maintenance programme with further rehabilitation of the HPP portfolio.
- To optimize costs and achieve stable results.



LAJANURI HPP, GEORGIA

The Lajanuri hydropower plant in the west of Georgia is built in harmony with its natural surroundings on the site of an earlier hydropower plant. The machinery hall is located underground, in a cavernous limestone space. The height of the building is 57 metres and its breadth is 18 metres.

The hydropower plant has a total installed capacity of 113.70MW and is located on the watercourse created by the redirection of the Tskhenistkali River into the Lajanuri River. It has been operating since 1960, and was acquired by ENERGO-PRO in 2007. It is located to the east of Tsageri.

Complete reconstruction of the gravity supply line that brings water from the Tskhenistkali River to the Lajanuri Reservoir was carried out in 2012. The supply line tunnel is constructed as a circular reinforced concrete profile.

GUMATI HPP, GEORGIA

The Gumati Cascade is located in the river Rioni near the town of Kutaisi. The cascade was put into operation it 1958, and was acquired by ENERGO-PRO in 2007. The average annual power production of the cascade is 356.8 GWh.

JSC OPPA

ENERGO-PRO a.s. acquired the Georgian company Nova Technology JSC on 21 February 2014. As of 7 March 2018, the company changed its business name and was officially registered as JSC OPPA ("OPPA"). The main activity of the entity is related to fast payments business.

OPPA provides a variety of services to companies, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows and java terminals and other related services. The company holds an approximate 50% market share and is considered the leading company in the market.

The goal of the company is to establish a new payment culture in Georgia, by using modern technologies (payment terminals, online transactions – paybox.ge) with a view to replacing traditional methods of payment with a fast and comfortable service and creating more payment points for retail customers, which will reduce time and simplify the payment process. The company also offers advertising services and trades in fast payment terminals and their component parts.

Currently the company operates more than 6,650 commercial points across the entire territory of Georgia, with an average volume of 304,000 transactions per day.

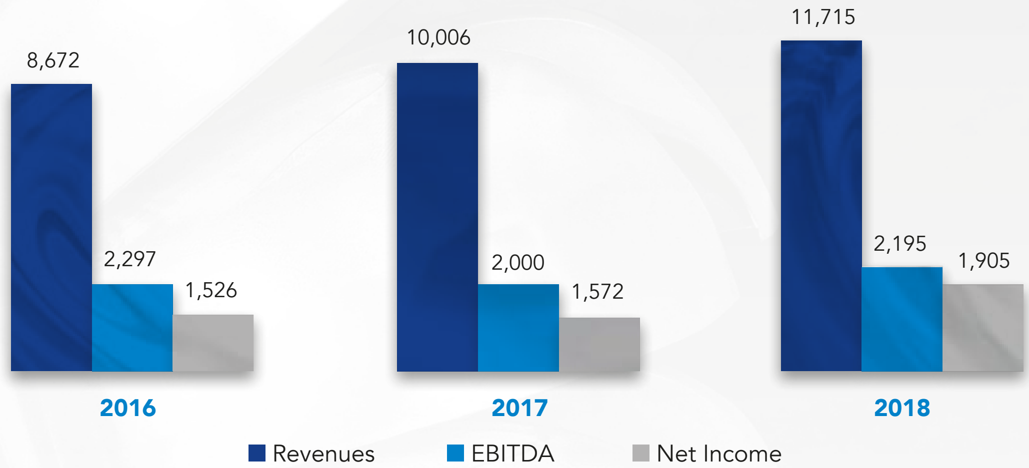
Financial and Operational Highlights of OPPA

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

OPPA Highlights

(EUR´000)	2016 Restated	2017 Restated	2018
Revenues	8,672	10,006	11,715
EBITDA	2,297	2,000	2,195
Net Income	1,526	1,572	1,905
Total Assets	8,143	7,818	8,384
Total Equity	1,810	2,731	4,756
Average number of transactions (daily)	244,842	287,464	303,784
Number of paybox registered users	1,505,960	1,588,085	1,641,811
Number of employees	236	251	299

OPPA – Revenues, EBITDA & Net Income, EUR ('000)



Activity & Results of OPPA in 2018

OPPA maintained its focus in 2018 on the further development of its network of agents, also taking significant steps towards electronic advancement. A rebranding campaign and the introduction of the new product "www.oppa.ge" should also be mentioned. OPPA added approximately 1,350 trading entities to its list of dealers, which helped support the 17 % revenue growth. The company retained its leading position in the production of terminals and the distribution of terminal component parts within the Southern Caucasus.

In the third quarter of 2018, the company established a subsidiary, LLC OPPA Commerce, with the aim of optimizing its commercial activities.

Key prospects for 2019

- To maintain its leading market position, as well as research and development of alternative opportunities of further growth.
- To implement various initiatives to increase efficiency and optimize workflow.

SHAORI-TKIBULI CASCADE, GEORGIA

Shaori and Tkibuli, the two lakes providing water for the Shaori-Tkibuli Cascade of hydropower plants, are located in the heart of unspoiled mountain countyside.

Lake Shaori is the largest natural reservoir in the Racha-Lechkhumi and Svaneti Region. It is located at 1,124.74 metres above sea level near the village of Khorga. The length of the lake is 7.10 km; the distance between its shores is 2.70 km at its widest, and the depth of the lake is 14.50 m. The water area of the lake is 9.20 sq.km.

Both lakes are surrounded by pine woods and alpine meadows that radiate in colour every season of the year. The pure water provides an opportunity to relax; it is an angler's paradise.

The Shaori-Tkibuli Cascade consists of two hydropower plants with a total installed capacity of 120.32 MW. It has been operating since 1956. ENERGO-PRO acquired the cascade in 2007.

3.3 ENERGO-PRO IN TURKEY

RESADIYE HAMZALI

Resadiye Hamzali Elektrik Üretim Sanay Ve Ticaret A.Ş. ("Resadiye Hamzali") was founded in 2010 as part of the expansion strategy of ENERGO-PRO a.s. and is headquartered in Ankara. Resadiye Hamzali is focused on establishing a solid presence in the Turkish electricity market. Its total installed capacity is 95 MW. The objective of the company is to expand its hydropower operations and become a significant supplier in the electricity market. Trading activities are executed via an affiliate company, ENERGO-PRO Güney Elektrik Toptan Satis Ithalat Ihracat Ve Tic. A.S.

Three of Resadiye Hamzali's HPPs are united in the Reşadiye cascade. The hydropower scheme comprises a three-step cascade on the Kelkit River. Resadiye 1, Resadiye 2 and Resadiye 3 are all operational and the total installed capacity of the cascade is 65.6 MW.

Hamzalı HPP is located in Kalecik, a district of the city of Kırıkkale, using the water resources of the Kızılırmak River. The total installed capacity is 17.0 MW.

Aralık HPP is located in Borcka, a district of the city of Artvin, near the Aralık Creek. The total installed capacity is 12.4 MW.

Resadiye Hamzali's HPPs

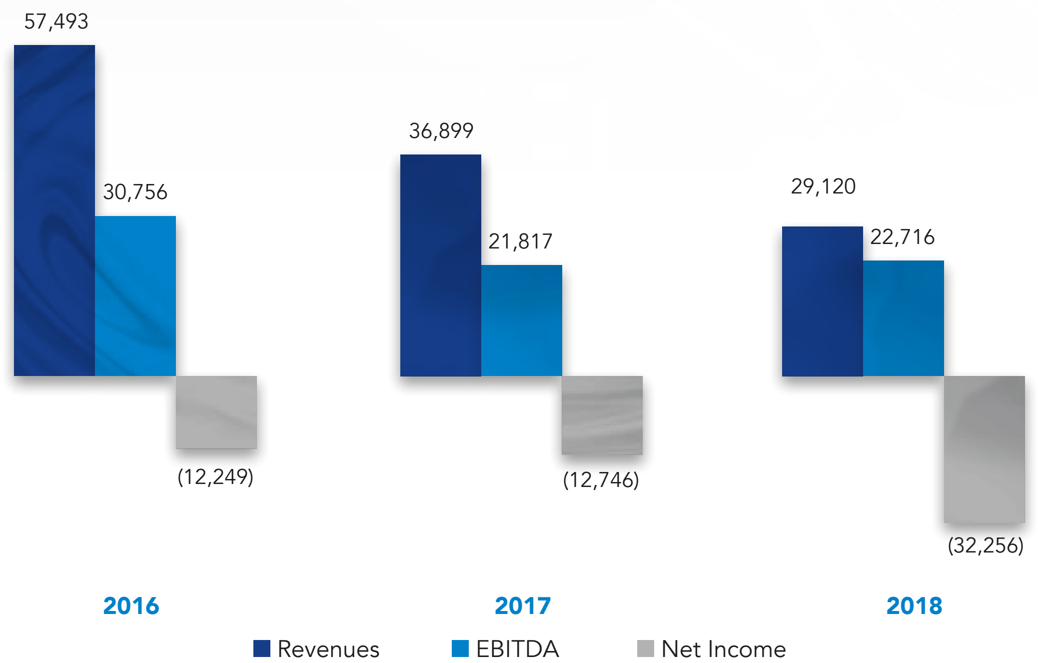
Financial and Operational Highlights of Resadiye Hamzali

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Resadiye Hamzali Highlights

(EUR'000)	2016	2017	2018
Revenues	57,493	36,899	29,120
EBITDA	30,756	21,817	22,716
Income before Tax	(10,043)	(16,003)	(38,964)
Net Income	(12,249)	(12,746)	(32,256)
Total Assets	153,796	140,752	117,499
Total Equity	1,436	(10,439)	(38,209)
Generation of electricity (GWh)	629	433	423
Number of employees	95	96	99

Resadiye Hamzali – Revenues, EBITDA & Net Income, EUR ('000)



Business Environment in 2018

Over the longer-term perspective, the country has a growing domestic market, a competitive and dynamic private sector, as well as highly developed infrastructure in transportation, telecommunications and energy sectors.

In mid-2018, Turkey experienced economic turbulence accompanied by a substantial weakening of the Turkish lira. In September 2018, the Central Bank of Turkey decided to increase its policy rate to 24% from 17.75%. This step reassured the markets and led to a partial recovery of the exchange rate in the fourth quarter of the year. However, the currency depreciation together with higher interest rates contributed to a reduction in private consumption and investment and, hence, an overall economic slowdown in Turkey.

Activity & Results of Resadiye Hamzali in 2018

The economic turbulence in Turkey had only a minor impact on the performance of Resadiye Hamzali, as it benefits from fixed USD-denominated tariffs and has a responsible strategy for managing the Turkish lira exchange rate risk.

EBITDA in 2018 was only marginally higher than in the previous year, principally due to continuing unfavorable hydrological conditions – Resadiye Hamzali experienced a second dry year in a row.
The main reasons for the company recording a loss before tax, as well as a net loss, were higher interest expenses (due to one-off refinancing-related costs) and foreign exchange rate losses on its debt, which is denominated in euro.

REŞADIYE CASCADE, TURKEY

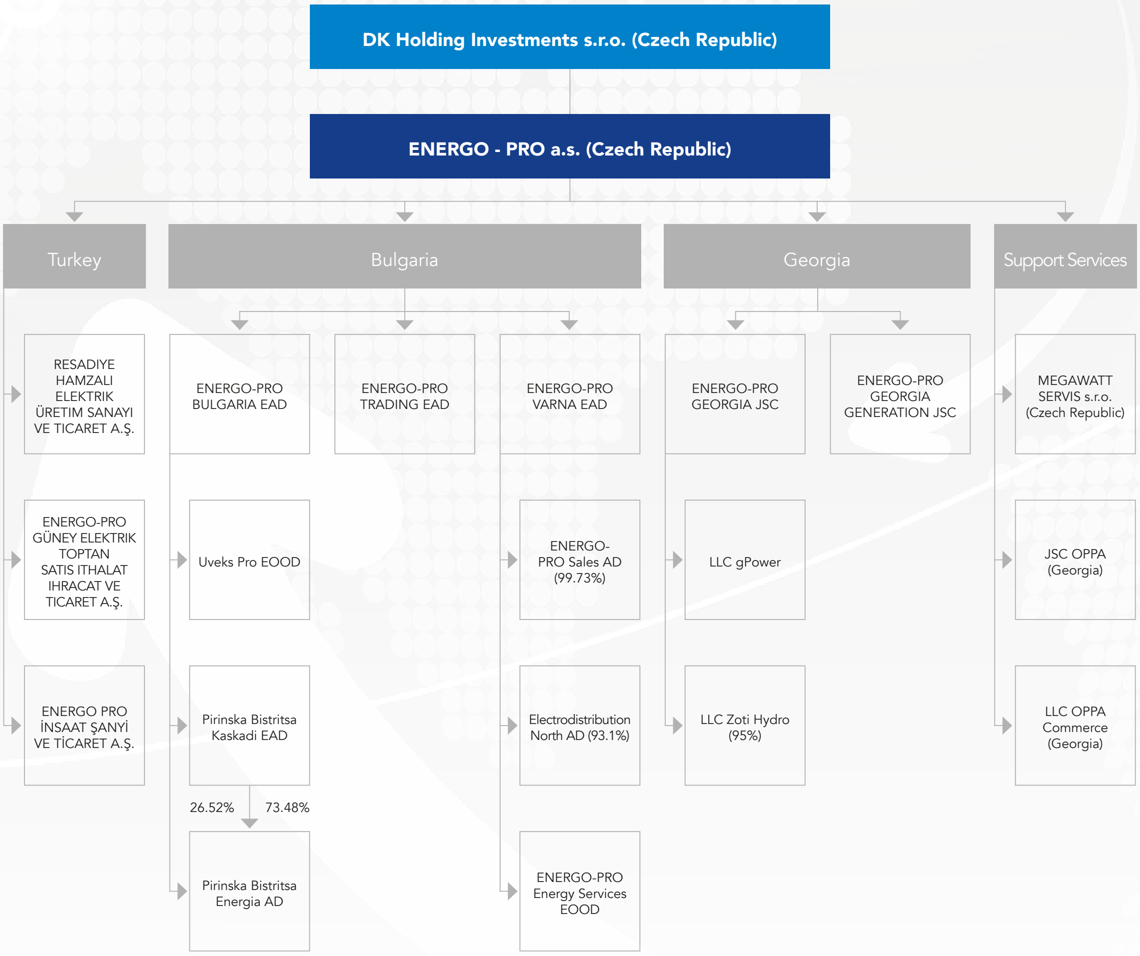
This three-step cascade is located on the Kelkit River. One of the three hydropower plants, the furthest one upstream, is located in the vicinity of the city of Sivas. The other two are near the town of Tokat.

Water for the cascade is supplied by the Kilicka Reservoir. Its total installed capacity is 65.6 MW. The individual power plants were put into operation between 2009 – 2010, and the whole cascade was acquired by ENERGO-PRO in 2010.

04

AS AT 31 DECEMBER 2018

ORGANIZATIONAL STRUCTURE



Note:

≈ Ownership interests are 100% unless stated otherwise.

05

CONTACT DETAILS

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06

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
Year ended 31 December 2018

(EUR'000)	Note	31 Dec 2018	31 Dec 2017 Restated	1 Jan 2017 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	7	458,127	452,416	472,549
Prepayments for property, plant and equipment		50	2	3
Goodwill	8	63,573	66,654	72,069
Other intangible assets	9	46,590	60,783	73,167
Non-current financial assets	11	12,246	2,415	29,263
Advance payments for investments acquisition	11	27,000	-	-
Deferred tax assets	28	6,179	1,085	984
Non-current portion of issued loans	10	224,938	128,496	132
Other non-current assets		606	255	523
Total non-current assets		**839,309**	**712,106**	**648,690**
Current assets				
Inventories	12	13,648	10,529	7,647
Trade and other receivables	13	130,661	124,217	139,184
Current income tax asset		2,415	1,072	4,422
Current portion of issued loans	10	287	40,982	24,902
Cash and cash equivalents	14	44,419	43,366	82,116
Other current assets	15	13,286	65,530	7,577
Total current assets		**204,716**	**285,696**	**265,848**
Total assets		**1,044,025**	**997,802**	**914,538**
EQUITY				
Authorised share capital	16	3,569	3,569	3,569
Translation reserve		(58,865)	(65,627)	(37,281)
Retained earnings	17	307,013	271,862	255,653
Equity attributable to the company's owners		**251,717**	**209,804**	**221,941**
Non-controlling interest	32	16,175	13,019	13,210
Total equity		**267,892**	**222,823**	**235,151**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	28	2,223	3,749	8,201
Provisions	20	8,404	9,305	9,678
Borrowings	21	621,100	511,617	368,296
Non-current financial liabilities	18	41	130	214
Other non-current liabilities	19	7,932	21,337	25,378
Total non-current liabilities		**639,700**	**546,138**	**411,767**
Current liabilities				
Provisions	20	10,396	16,335	25,214
Trade and other payables	22	105,086	105,575	79,375
Income tax payable		623	1,624	4,295
Borrowings	21	35	82,433	138,325
Other current liabilities	23	20,293	22,874	20,411
Total current liabilities		**136,433**	**228,841**	**267,620**
Total liabilities		**776,133**	**774,979**	**679,387**
TOTAL LIABILITIES AND EQUITY		**1,044,025**	**997,802**	**914,538**

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 5.4. 2019.

Member of the Board of Directors
Pavel Vana

Financial Manager
Vlastimil Ourada

(EUR'000)	Note	2018	2017 Restated
Revenue			
Sales of electricity in local markets		637,745	615,101
Cross border sales of electricity		36,840	25,701
Grid components of electricity sales price		133,709	175,531
Services and other		37,382	26,352
Total revenue		**845,676**	**842,685**
Other income	27	5,031	15,252
Changes in inventory of products and in work in progress		(261)	(265)
Capitalized own products and own services		1,268	699
Purchased power		(513,993)	(507,539)
Service expenses	24	(112,784)	(145,894)
Labour costs		(67,284)	(67,569)
Material expenses		(2,054)	(5,671)
Tax expenses		(3,890)	(5,404)
Other operating expenses	25	(15,482)	(14,726)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)[1]		**136,227**	**111,568**
Depreciation and amortisation expense	7,9	(45,002)	(45,314)
Earnings before financial expenses and taxes (EBIT)		**91,225**	**66,254**
Finance income	26	13,365	6,430
Finance costs	26	(89,983)	(54,697)
Finance costs – net		**(76,618)**	**(48,267)**
Income before income tax (EBT)		**14,607**	**17,987**
Income tax	28	(6,770)	(4,267)
Deferred taxes	28	7,231	3,707
Total income tax income/(expense)		**461**	**(560)**
Profit/(loss) for the year		**15,068**	**17,427**
Profit/(loss) attributable to:			
- Owners of the company		13,658	16,613
- Non-controlling interest		1,410	814
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		6,762	(28,346)
Items that will not be reclassified to profit or loss:			
Actuarial loss			
Gross amount		(58)	(429)
Tax effect			
Net amount		(58)	(429)
Other comprehensive income/(loss)		**6,704**	**(28,775)**
Total comprehensive income/(loss)		**21,772**	**(11,348)**
Total comprehensive income attributable to:			
- Owners of the company		20,365	(12,139)
- Non-controlling interest		1,407	791

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Financial Manager
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[1] EBITDA is a non-GAAP measure in this Consolidated Statement of Comprehensive Income (there is no IFRS standard for EBITDA specification). The Group considers EBITDA to be an important indicator of its economic performance. EBITDA is calculated as total revenues minus certain operating expenses, as shown above.

(EUR'000)	Equity attributable to the company's owners					
	Authorised ("Unpaid") share capital	Translation reserve	Retained earnings & Other reserves	Total equity	Non-controlling interest	Total equity
1 January 2017 Restated	**3,569**	**(37,281)**	**255,653**	**221,941**	**13,210**	**235,151**
Net income for the period	-	-	16,613	16,613	814	17,427
Other comprehensive income	3,569	(28,346)	(406)	(28,752)	(23)	(28,775)
Comprehensive income for the period	-	(28,346)	16,207	(12,139)	791	(11,348)
Dividends payable to non-controlling interest	-	-	-	-	(982)	(982)
Other changes in equity	-	-	2	2	-	2
31 December 2017 Restated	**3,569**	**(65,627)**	**271,862**	**209,804**	**13,019**	**222,823**
Effect of adoption of new accounting standards	-	-	21,530	21,530	1,749	23,279
1 January 2018 Restated	**3,569**	**(65,627)**	**293,392**	**231,334**	**14,768**	**246,102**
Net income for the period	-	-	13,658	13,658	1,410	15,068
Other comprehensive income	-	6,762	(55)	6,707	(3)	6,704
Comprehensive income for the period	-	6,762	13,603	20,365	1,407	21,772
Other changes in equity	-	-	18	18	-	18
31 December 2018	**3,569**	**(58,865)**	**307,013**	**251,717**	**16,175**	**267,892**

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 5.4. 2019.

Member of the Board of Directors
Pavel Vana

Financial Manager
Vlastimil Ourada

(EUR'000)	Note	2018	2017 Restated
Profit/(loss) before income tax		**14,607**	**17,987**
Adjusted for:			
Depreciation and amortization expense	7,9	45,002	45,314
Finance income	26	(12,165)	(3,672)
Finance costs	26	52,276	32,543
Changes in provisions and impairment		(763)	(6,221)
Assets granted free of charge		(77)	(78)
Inventory surplus		77	(2,380)
(Gain)/Loss on disposal of property, plant and equipment		2,285	10,012
Gain from a bargain purchase (negative goodwill)		-	(8,775)
Inventory obsolescence expense		(532)	88
Other changes - difference in the rate of exchange etc.		18,603	25,754
Cash inflow from operating activities before changes in operating assets and liabilities		**119,151**	**110,572**
Movements in working capital			
Decrease/(increase) in inventories	12	(2,132)	356
Decrease /(increase) in trade accounts receivable	13	(14,515)	(16,452)
(Increase)/decrease in other current assets	15	16,761	(16,163)
Increase/(decrease) in trade and other payables	22	5,422	28,339
Increase/(decrease) in other liabilities	23	1,956	(1,507)
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**126,643**	**105,145**
Interest received		1,172	1,598
Income tax paid		(8,264)	(10,195)
Net cash (outflow)/inflow from operating activities		**119,551**	**96,548**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired (-), Disposal of subsidiaries, net of cash of entities disposed	31	-	(6,599)
Purchases of property, plant and equipment and intangible assets	7,9	(63,418)	(54,225)
Proceeds from sale of property plant and equipment		72	1
Loans granted	10	(58,994)	(121,736)
Loans repaid	10	14,889	13,251
Net change in deposits granted	13	3,832	(46,847)
Proceeds from sale of bonds		-	24,803
Net cash outflow from investing activities		**(103,619)**	**(191,352)**
Cash flows from financing activities			
Proceeds from borrowings	21	99,483	168,508
Repayment of borrowings	21	(340,953)	(350,817)
Issued bonds	21	250,000	370,000
Call option of bonds		-	(111,549)
Interest paid		(23,571)	(19,378)
Dividends paid to non-controlling interest		-	(982)
Other changes in equity		-	272
Net cash used in financing activities		**(15,041)**	**56,054**
Net increase/(decrease) in cash and cash equivalents		**1,053**	**(38,750)**
Cash and cash equivalents at the beginning of the year	14	**43,366**	**82,116**
Cash and cash equivalents at the end of the year	14	**44,419**	**43,366**

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 5.4. 2019.

Member of the Board of Directors
Pavel Vana

Financial Manager
Vlastimil Ourada

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ENERGO-PRO Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2018 for ENERGO - PRO a.s. and its subsidiaries (together referred to as the "Group").

ENERGO - PRO a.s. ("EPas") is a joint stock company (the Company) established on 23 March 1995. The registered address is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic and the identification number of EPas is 63217783. The main activities of the ENERGO - PRO a.s. Group are power generation from hydro power plants ("HPPs"), electricity distribution and power trading.

The ultimate holder of 100% of ENERGO-PRO a.s. shares is the entity DK Holding Investments, s.r.o. which is wholly owned by Mr. Jaromir Tesar.

Full organizational structure as of the end of 2018 is mentioned in Chapter 4. of this Annual Report.

The Group has established solid presence in Central and Eastern Europe, Black Sea region and the Caucasus:

≈ Hydro power operations in Bulgaria, Georgia and Turkey;
≈ Power distribution activities in Georgia and Bulgaria;
≈ Trading with the electricity on the European market.

EPas is the parent company of the Group of companies, which comprises the following entities and their subsidiaries consolidated in these financial statements:

Name	Location	Share
ENERGO - PRO a.s.	Czechia	parent
MEGAWATT SERVIS s.r.o.	Czechia	100%
JSC Energo - Pro Georgia	Georgia	100%
JSC Energo - Pro Georgia Generation	Georgia	100%
OPPA JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Trading EAD	Bulgaria	100%
ENERGO-PRO VARNA EAD	Bulgaria	100%
Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	100%
ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş.	Turkey	100%
ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş. [1]	Turkey	100%

The Group is organised and managed based on territory markets in which it operates (Bulgaria, Georgia, Turkey and international power trading). Group's business is conducted in a responsible way in order to achieve a solid financial return balanced with long-term growth and to fulfil our commitments to the community and the environment.

The Group has proven operational experience and know-how. The Group successfully implemented large-scale rehabilitation projects in last years. From electricity distribution the Group possess know-how in dealing with large numbers of customers, network planning and optimization. In power trading the Group have solid experience in cross-border electricity trading and execution of large-scale trade contracts.

The Group has had exponential growth during the several past years and turned into a strong player in the acquisition and operation of plants above 100 megawatt (MW) of installed capacity. The Group continues to look for new investment opportunities, focusing on South-Eastern Europe and the Black Sea region.

[1] former ENERGO-PRO Iyi Dere Elektrik Üretim Şanayi ve Ticaret A.Ş.

List o Group´s power plants as of 31 December 2018 as follow:

Hydro power plants	Installed capacity (MW)
Bulgaria:	
Sandanska Bistritsa Cascade (3 HPPs[1])	56
Pirinska Bistritsa Cascade (2 HPPs[2])	50
Koprinka Cascade (2 HPPs[3])	29
Petrohan Cascade (3 HPPs[4])	17
Ogosta	5
Katunsti	3
Samoranovo	3
Karlukovo	2
Total Bulgaria	**166**
Georgia:	
Shaori-Tkibuli Cascade (2 HPPs[5])	120
Lajanuri	114
Gumati Cascade (2 HPPs[6])	70
Rioni	51
Zahesi	37
Iori Cascade (3 HHPs[7])	27
Chitakhevi	21
Atsi	18
Ortachala	18
Chkhori	6
Kinkisha	1
Total Georgia	**482**
Turkey:	
Hamzali	17
Aralik	12
Resadiye Cascade (3 HPPs[8])	66
Total Turkey	**95**
Gas power plants	
Georgia:	
Gardabani TPP	110
Total Georgia	**110**
Total hydro power plants	**743**
Total gas power plants	**110**
Total installed capacity (hydro + gas-fired plants)	**853**

[1] Sandanski HPP; Popina Laka HPP; Lilyanovo HPP

[2] Spanchevo HPP; Pirin HPP

[3] Koprinka HPP; Stara Zagora HPP

[4] Klisura HPP, Barzia HPP, Petrohan HPP

[5] Shaori HPP; Dzevrula HPP

[6] Gumati I HPP; Gumati II HPP

[7] Sioni HPP; Satskhenisi HPP; Martkopi HPP

[8] Resadiye I; Resadiye II; Resadiye III

The number of employees of the Group as of 31 December 2018 and 2017 was 8,971 and 8,843 respectively (including employees of ENERGO - PRO a.s. and MEGAWATT SERVIS s.r.o.).

SUBSIDIARIES

JSC Energo - Pro Georgia ("EPG")

EPG was incorporated on 31 July 2006 and is domiciled in Georgia. EPG is a joint stock company limited by shares and was set up in accordance with Georgian legislation.

On 5 February 2007, EPG signed an agreement with the Government of Georgia for purchase of the assets of the hydro power plants and electricity distribution companies and obtained a 100% control over the assets of United Energy Distribution Company, Adjara Energy Distribution Company and six hydro power plants in Georgia.

The investment project of the Group in Georgia was implemented with the financial support of the Czech Export Bank (a state-owned Czech financial institution which is specialized in providing support for export activities and foreign investments of Czech companies) until the issue of the bonds in 2017.

EPG's principal business activity is distribution of electricity. EPG distributes electricity to all regions of Georgia except for capital city Tbilisi and covers 85% of the territory of Georgia. EPG serves over 1.2 million customers through its electricity distribution network.

EPG's registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia.

EPG is the parent company of the group of companies, which comprises the following entities and their subsidiaries consolidated in these financial statements:

		EPG's ownership interest	
Name	**Location**	**2018**	**2017**
LLC gPower	Georgia	100%	100%
LLC Zoti Hydro	Georgia	95%	95%

LLC gPower („gPower") was incorporated on 16 November 2010 and is domiciled in Georgia. gPower signed an agreement with JSC Energy Invest to purchase its operating assets. These operating assets mainly comprise of four gas power turbines with the installed capacity of 110 megawatt and other assets required for electricity generation (Gas Turbine Power Station).

LLC gPower's principal business activity is provision of guaranteed capacity and generation of electricity. Guaranteed capacity insures stable and reliable functioning of unified electric energy system of Georgia. The period of standby mode and minimum volume of guaranteed capacity are regulated by the Government of Georgia, while tariffs are determined by Georgian National Energy and Water Supply Regulatory Commission ("GNERC").

gPower's registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia.

LLC Zoti Hydro („Zoti") was established on 25 November 2008. Zoti's principal business activity is construction and operation of Hydro Power Plants. As of the end of 2018 Zoti was a dormant entity.

Zoti's registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia.

The number of employees of EPG as of 31 December 2018 and 2017 was 5,514 and 5,463 respectively.

JSC Energo - Pro Georgia Generation ("EPGG")

EPGG was incorporated on 23 December 2016 after the reorganization of EPG assets and is domiciled in Georgia. EPGG is a joint stock company limited by shares and was set up in accordance with the Georgian legislation.

EPGG's principal activity is generation of electricity via its portfolio of fifteen medium and small size hydro power plants with total installed capacity of 482 MW and annual production of 1 819 GWh.

EPGG's registered address is Zurab Anjaparidze st. 19, 0186 Tbilisi, Georgia.

Former subsidiary company JSC Zahesi merged with EPGG in 2018.

The number of employees of EPGG as at 31 December 2018 and 2017 was 468 and 465, respectively.

JSC OPPA ("OPPA")

OPPA is a joint stock company and was established on 19 March 2007. Since 7 March 2018, former Nova Technology JSC changed its name and was officially registered as a JSC OPPA.

OPPA provides a variety of services to companies, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows and java terminals and other related services. OPPA holds approximately half of the market share and is considered to be the leading company in the market.

As at December 31, 2018 OPPA is parent company in the following entity:

Name	Location	2018
LLC OPPA Commerce	Georgia	100%

OPPA's registered address is 37 Uznadze Street, Tbilisi, Georgia.

OPPA established a subsidiary company LLC OPPA Commerce ("OPPA Commerce") in September 2018. Its main activity is optimization of commercial activities of OPPA. The registered address of OPPA Commerce is 37 Uznadze Street, Tbilisi, Georgia.

The number of employees of OPPA as at 31 December 2018 and 2017 was 299 and 251, respectively.

ENERGO-PRO Bulgaria EAD ("EPB")

EPB is a joint stock company established on 13 September 2000. The identification number of the company is 130368870. EPB is the biggest private producer of electricity from HPPs in Bulgaria. With a total installed capacity of 166 MW and average annual production of 505 GWh EPB is also the largest private generator of renewable energy in the country. Presently, EPB owns and operates fourteen HPPs. Ten of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

The registered address of the company is Floor 3, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria,

EPB is the parent company of the group of companies, which comprises the following entities and their subsidiaries consolidated in these financial statements:

		EPB's ownership interest	
Name	**Location**	**2018**	**2017**
Pirinska Bistritsa Energia AD	Bulgaria	26.52%[1]	26.52%
Pirinska Bistritsa Kaskadi EAD	Bulgaria	100%	100%
Uveks - Pro EOOD	Bulgaria	100%	100%

Pirinska Bistritsa Energia AD ("PBE") is duly registered by the Sofia City Court under company file No 10295/2000 with seat 2 Pozitano square, floor. 5, 1000 Sofia, Bulgaria, re-registered with the Commercial register of the Registry Agency. Its main activity is study, design, and construction, funding and operation of hydro power plants. PBE is licensed by the State Energy and Water Regulatory Commission. The period of the license is twenty years as of 10 May 2001. PBE is owner of two HPPs, united in one casccade. The plants are in the village of Gorno Spanchevo close to the village of Pirin.

Pirinska Bistritsa Kaskadi EAD ("PBK") is registered at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria and its main business is management and rent of HPP facilities. Due to EPB restructuring carried out in 2014 HPP facilities were contributed in kind into PBE capital. No special license is required for the rent of own assets.

Uveks Pro EOOD ("Uveks") is registered at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria. The company was inactive as of 31 December 2018.

The number of employees of EPB as at 31 December 2018 and 2017 was 145 and 157, respectively.

ENERGO-PRO Trading EAD ("EPT")

EPT was registered at the Registry Agency with UIC 201398872 on 26 January 2011, with its headquarters at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria. Its main activity is trade, import and export of electricity power, coordination of balancing groups, greenhouse gas emission allowance trading. EPT actively trades with electricity in Bulgaria as well as its neighboring countries.

The number of employees of EPT as at 31 December 2018 and 2017 was 9 and 8, respectively.

[1] Pirinska Bistrica Kaskadi EAD holds 73.48% of the entity's shares as at December 31, 2018 and December 31, 2017, respectively.

Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.Ş. ("RH")

RH is a joint stock company established on 14 August 1986. The registered address of RH is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activities of RH involves operating HPPs and trading with electricity produced through those plants. The total installed capacity of RH's HPPs is 95 MW and annual production is 423 GWh.

The number of employees of RH as of 31 December 2018 and 2017 was 99 and 96, respectively.

ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş. ("EPToptan")

EPToptan was registered on 19 February 2010. The registered address of EPToptan is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. Its activities are focused on trading with electricity in the Turkish energy market.

The number of employees of the EPToptan as of 31 December 2018 and 2017 was 4 and 7, respectively.

ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş. ("EPInsaat")

EPInsaat is a joint stock company established on 27 April 2017. In the first half of 2018, EPInsaat changed its business name from the former ENERGO-PRO Iyi Dere Elektrik Üretim Şanayi VE Ticaret A.Ş. to ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş. The registered address of EPInsaat is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

The number of employees of the EPInsaat as of December 31, 2018 was 61.

ENERGO-PRO Varna EAD ("EPV")

EPV was registered on June 12, 2012 in the Trade register to Registration Agency with UIK 202104220 and permanent address Varna, Varna Towers – E, 258 "Vladislav Varnenchik" Blvd.

On July 5, 2016, the parent company ENERGO-PRO VARNA EOOD has been transformed by changing the legal form into a single-shareholder joint-stock company (ENERGO-PRO Varna EAD), on the grounds of Art. 264, para. 1 of the Commerce Act with UIC 204146759. After the transformation, the registered capital of the company is in the amount of BGN 35,791,888 (18,300,102 EUR) divided into 35,791,888 ordinary dematerialized shares with a nominal value of BGN 1.

As at December 31, 2018 EPV directly owns shares in the following subsidiaries:

		EPV's ownership interest	
Name	**Location**	**2018**	**2017**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EOOD	Bulgaria	100.00%	100.00%

Electrodistribution North AD ("ElectroNorth") former ENERGO-PRO Grid AD, is registered in the Trade Register to the Registration Agency with EIK 104518621 with its permanent address at Varna, Varna Towers – E, 258 "Vladislav Varnenchik" Blvd. ElectroNorth distributes electricity by operating, maintaining and developing the electricity distribution network as well as the auxiliary facilities and networks and transmitting electricity along the grid. ElectroNorth has license L-138-07/13.08.2004, issued by the Energy and Water Regulations Commission (EWRC) - for the activity distribution of electricity, amended by Decision No I3-L-138 / 09.12.2013, with the rights and obligations deriving from the activity of "Coordinator of special balancing group for compensation of losses in the distribution network".

ENERGO-PRO Sales AD (EPS) is registered in the Trade Register to the Registration Agency with EIK 103533691 with its permanent address Varna, Varna Towers – G, 258 "Vladislav Varnenchik" Blvd. EPS is engaged in the activity of electricity supply. EPS has a licence, issued by EWRC for the public supply of electricity for a self-contained area, amended by Decision No I1-L-139/ 09.12.2013, complemented with the rights and obligations deriving from the activity of the "coordinator of special balancing group" of household and non-household customers, group of producers of electricity from renewable sources and group of producers of electricity from cogeneration plants production and licence for the activity of delivery of electricity from the supplier of last resort.

ENERGO-PRO Energy Services EOOD (EPES) is registered in the Trade Register to the Registration Agency with EIK 131512672 with its permanent address at Varna, Varna Towers – G, 258 "Vladislav Varnenchik" Blvd. EPES is engaged in trading with electricity, gas and other energy on the electricity market at freely negotiated prices. EPES has a license, issued by EWRC for electricity trade.

The number of employees of the EPV Group as of 31 December 2018 and 2017 was 2,302 and 2,335 respectively.

MEGAWATT SERVIS s.r.o. ("MGW")

MGW is a limited liability company established on 8 December 1994. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activities of MGW are consultancy in hydro energy sector and assembling of hydro technical facilities.

The number of employees of the MGW as of 31 December 2018 and 2017 was 40 and 36, respectively.

RELATED PARTY COMPANIES

Dolnolabské elektrárny a.s. (“DEL”)

DEL is a joint stock company established on 15 May 2000. DEL is a company controlled by the shareholders Jaromír Tesař (62%), Petr Tesař (5%) and Jan Motlík (33%). The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activity of DEL is the operation of HPP Litoměřice on the Labe river in the Czech Republic.

ENERGO - PRO MVE, s.r.o. (“EPMVE”)

EPMVE is a limited liability company established on 11 January 2016. The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activity of EPMVE is operation of Brandýs nad Labem HPP on the river Labe in the Czech Republic.

ENERGO-PRO Turkish Development s.r.o. (“EPTD”)

EPTD is a limited liability company established on 6 October 2016 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05457696. EPTD is a mother company of Turkish entity “Bilsev Enerji Üretim VE Ticaret A.Ş.” which manages the project of dam and HPP Karakurt construction.

ENERGO-PRO Hydro Development, s.r.o. (“EPHD”)

EPHD is a limited liability company established on 20 February 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05831407. EPHD is a mother company of Turkish entity “Murat Nehri Enerji Üretim A.Ş.” which owns the project of Alpaslan Dam and HPP construction.

ENERGO-PRO Assets Turkey s.r.o. (“EPAT”)

EPAT is a limited liability company established on 28 March 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05962021. Currently, EPAT does not generate any results. As of the end of 2018 ENERGO-PRO Assets Turkey s.r.o. was a dormant entity.

ENERGO-PRO Industries, s.r.o. (“EPI”)

EPI is a limited liability company established on 5 February 2014. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. EP Industries is a mother company of Litostroj Power d.o.o. Group (“LP Group”) and ÇKD Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. and directly owns 100% of shares in both entities.

ÇKD Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. (“CKDTK”) is a joint stock company established in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

LP Group activities are focused on two major segments – design and production of energy and industrial equipment. LP Group unifies these entities:

Litostroj Power d.o.o. ("LP") is a limited liability company established in Slovenia. The registered address of the company is at Litostrojska cesta 50, 1000 Ljubljana, Slovenia.

ČKD Blansko Engineering, a.s. ("CBE") is a joint stock company established in the Czech Republic. The registered address of the company is at Čapkova 2357/5, 678 01 Blansko, Czech Republic. Since the date of issuance of the financial statements, the company changed its name to Litostroj Engineering, a.s.

Litostroj Hydro Inc. ("Hydro") is a limited liability company established in Canada. The registered address of the company is at Rue de Pacifiquie 45, Bromont, Quebec, Canada.

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş. ("Berta")

Berta is a joint stock company established on 11 May 2016 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activity of Berta is greenfield assets project of 3 HPP's and dam development in Turkey on the river Berta.

PT ENERGO PRO Indonesia ("EP Indonesia")

EP Indonesia is a joint stock company established on 10 August 2018 with registered address of Jl. Raya Karang Congok No. 8 Kel. Karang Satria, Indonesia. The company's main activity is the new hydro power projects possibilities to be acquired in the territory.

ENERGO-PRO Hydro Power Sarl ("EPHP")

EPHP was a limited liability company established on 13 May 2017 with in Morocco. In December 2018, EPHP was abolished in December of 2018.

Terestra-Bulgaria EOOD is a limited liability company established in 2002 under Bulgarian legislation. The registered capital of the company is EUR 2,556 EUR (BGN 5,000). The company has one shareholder – Jaromir Tesar. The registered seat and the address of the company is at 100, G.S.Rakovski street, Sofia, Bulgaria. Identification number of the company is 130975347. The company's main activities according to its Articles of Incorporation are the production of electricity from HPPs and other.

TAKEDAKODON, s.r.o. is a limited liability company established on 28. January 2013 with registered address of Na poříčí 1079/3, Nové Město, 110 00 Praha 1, Czech Republic.

2. Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group a) has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("gain from a bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from it carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity.

Disposals of subsidiaries. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the EP Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The assessment of the company's business model was made as of the date of initial application of IFRS 9, 1 January 2018. All financial instruments and operations performed by the company are pointed to collect contractual cash flows from sales of electricity. This is a main objective and a regular activity for the company. Historically, the company has never sold its financial instruments. Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into first business model – Held to collect (H2C).

The company cash flows from trade and other receivables pass the SPPI test, because there are not any interest rates for these financial instruments. Issued loans also meet the criterion of solely payments of principal and interests, since all interest rates on issued loans are fixed.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. A financial liability is recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

De-recognition of financial assets. The EP Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the EP Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is derecognised.

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Land and buildings	20 – 100
Technical plant and machinery	25 – 45
Other plants, furniture and fixtures	3 – 6
Other fixed assets	5 – 25

The residual value of an asset is the estimated amount that the EP Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period..

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include electricity generation licenses acquired in business combinations. Acquired computer software is capitalised based on the costs incurred to acquire and bring it to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Electricity generation licenses	10 – 45 years
Customer lists	10 years
Software licences and software	1 – 7 years
Other operating licences	3 – 7 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period with respect to tax law of each consolidated entity. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. The Group´s liability for current tax is calculated as a sum of tax liability of each consolidated entity.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent thatit is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted bythe end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Until the entry into force of IFRS 9 (January 1, 2018), the Group determines the amount of the impairment loss on financial assets, based on the credit losses incurred, in accordance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement, i.e. the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate of the financial asset, with no future credit losses that have not been accrued.

With respect to the initial application of IFRS 9, the Group uses the expected credit loss model, according to which no impairment loss is required before credit losses are recognized. IFRS 9 sets out two approaches for recognition of expected credit losses:

General approach:

- For financial instruments in respect of which the credit risk on a financial instrument has not increased significantly since initial recognition, the recognized the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses;
- For financial instruments in respect of which the credit risk on a financial instrument has increased significantly since initial recognition, the recognized the loss allowance for that financial instrument at an amount equal to lifetime expected credit losses.

Simplified approach:

- For all financial instruments, the recognized loss allowance should equal to lifetime expected credit losses.

With respect to impairment of trade receivables, the Group has used a provision matrix as well as its accumulated experience of credit losses on trade receivables in order to estimate the approximate lifetime expected credit losses of the financial assets.

Future cash flows attributable to a group of financial assets that are collectively measured for impairment are determined on the basis of historical information relating to financial assets with credit risk characteristics similar to those of the group of financial assets.

Assets that are individually impaired do not enter into an impairment group. Trade and other receivables that are subject to individual impairment are not subsequently included in the determination of impairment on a group of receivables.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in non-current assets. The assigned receivables that were subsequently reclassified as a provided loan are presented by the Group as a part of the cash-flow from investing activities.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Value added tax. Output value added tax related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at average funding cost on entity level (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the subsidised items. Government grants relating to costs are deferred and recognised in profit or loss for the year over the period necessary to match them with the costs that they are intended to compensate.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Czech Crown (CZK) and the Group's presentation currency is the EURO ("EUR"). EUR as the presentation currency is used because Group operates mainly inside Europe and the results presented in EUR are more comprehensible for financial institutions and business partners.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the National Banks (NB) of the country where each entity operates at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NB are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The currencies in which most of the transactions are denominated are:

EUR – Euro
CZK – Czech Crown
USD – US Dollar
BGN – Bulgarian Leva
GEL – Georgian Lari
TRY – Turkish Lira

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated profit or loss.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised in equity (translation reserve) and other comprehensive income.

When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition. Revenues include the fair value of consideration received or receivable payments or remuneration for goods and services sold in the normal course of business of the Group. Revenues were down from a net value-added tax.

The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each agreement.

The Group has performed a detailed analysis of the contracts for all income flows and the impact of the application of IFRS 15 Revenue from Contracts with Customers effective from January 1, 2018, and is of the opinion that the new IFRS 15 does not affect the reporting of revenue, with the exception of accounting for grid components for electricity distribution and reporting of revenue from connection fees.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from sale of electricity

Domestic sale of electricity is recognised based on metered or estimated usage of power by customers and calculated according to the enacted tariffs. Export sale and transit of electricity is recognised based on metered transfer of power and calculated according to the contractual tariffs.

(b) Revenue from sales of services

Revenue from sales of services compromise of the following services:

≈ Connection fees - consists of charges received from customers and recognized immediately at the time of initial connection (without fixed period) to the electricity network system

≈ Other – such as charges to reconnect customers, checking of electrical devices and other.

Revenue from connection fees. Until initial application of IFRS 15, the Group recognizes the revenues from the fees for the connection of new consumers to the electricity grid on a deferred basis. The deferred income was subsequently released through the statement of comprehensive income on grounds of the useful lives of the underlying measurement devices installed at the customers' premises.

In respect with IFRS 15, the Group has reviewed the contracts concluded for connection of new customers to the electricity grid and considers that they are not in compliance with the IFRS 15 criteria for the transfer of control over services over the time and hence does not meet the obligation to implement and recognize revenue over time. The connection represents separate performance obligation satisfied in point of time (when connection to grid is provided) rather than over time (when subsequently the electricity is distributed to customer). In this respect, as of January 1, 2018, the Group recognizes immediately the revenues from the accession fees.

Sales of other services are recognized when the service is rendered.

(c) Revenue from sale of grid components for electricity distribution

Grid components in the electricity sale price defined by the Regulator comprise of transmission fee and access fee.

Some of the entities in the Group operate the gird and provide distribution directly (distribution companies), other entities do not provide distribution but sale (trading companies) but charge the end customers with both fees for distribution and for the distributed energy.

Until initial application of IFRS 15, the revenues of grid components in the electricity sales price are recognised in profit and loss on monthly basis after the measurement of electricity used by clients. IFRS 15 specifies that when another party is involved in providing goods or services to a customer, the entity should determine whether the other party is acting as a principal or as an agent. The principal controls the promised goods or services before they are transferred to the client. When an entity acts as a principal, revenues are recognized as the gross amount of the consideration payable. By contrast, the agent only recognizes a commission or a fee.

IFRS 15 provides the following indications for the designation of an agent that is deemed not to control the goods or services before being transferred to the client.

The Group concludes that these indicators provide further evidence that it does not control the specified goods before they are transferred to the customers. As part of reaching that conclusion, the Group considers the following indicator:

- the supplier is primarily responsible for fulfilling the promise to provide the goods to the customer. The Group is neither obliged to provide the goods if the supplier fails to transfer the goods to the customer, nor responsible for the acceptability of the goods;
- the Group does not take inventory risk at any time before or after the goods are transferred to the customer. The Group does not commit itself to obtain the goods from the supplier before the goods are purchased by the customer and does not accept responsibility for any damaged or returned goods;
- the Group does not have discretion in establishing prices for the supplier's goods. The sales price is set by the supplier.

In respect to the new IFRS 15, distribution companies of the Group who trade with electricity have reviewed the contracts concluded for grid components – transmission, access fee and the obligation for the public, and consider that they are acting as an agent. As of January 1, 2018, the Group do not report revenue and (costs) for grid components. There is no change in the accounting policy in the distribution company of the Group and it continues to recognize revenue from the sale of grid components in profit or loss on a monthly basis for the period to which they relate at gross amount.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Revenues from penalty interest for late payment of bills for electricity consumed is recognised at the time of payment of the principal.

Barter transactions and mutual cancellations. A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the consolidated cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Employee benefits. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Defined contribution retirement plan. The Group does not manage obligatory or voluntary pension funds. Payment of retirement pensions is an obligation of the countries where the Group operates. In accordance with statutory requirements, the Group pays personal income tax and social security contributions, as well as contributions to the pension funds governed by those countries. These expenses are recognised in profit or loss. Once such contributions are made, the Group has no further obligations.

Defined benefit obligations. The valuation of the long-term payables to employees (a lump-sum paid upon retirement) is performed using the unit credit method. The valuation is performed by actuaries, as of the balance sheet date. The payable, recognised in the balance sheet represents the net present value of the payments, as well as any actuarial corrections and expenses for previous employment. The actuary gains and losses, resulting from practical adjustments and changes of the actuary suppositions, are recognised in Other comprehensive income.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use or fair value less cost to sell calculations. These calculations require the use of estimates as further detailed in Note 8.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 6.

Revenue from sale of electricity. Revenue from sale of electricity is recognised in profit or loss on a monthly basis after measuring the electricity provided to the customers. As the energy meters reading may not be carried out for all customers covering exactly the calendar month, the Group makes the calculation to accrue the revenue from energy supply for the period. Calculations consider past historical data about electricity supply and demand for the short term forecasted.

Impairment of accounts receivable. The Management has made an estimation of the volume and timing of expected future cash flows that relate to accounts receivable in the following groups: individually accounts, households and other small customers and receivables under litigation. Due to the inherent uncertainty in this assessment, actual results may differ from expected. The Group's management reviews the estimates from previous years and actual results of the previous year.

With regard to the initial application of IFRS 9, the Group has used its accumulated experience of credit losses and has taken into account current conditions and forecasts to reliably estimate the expected credit losses on its trade receivables.

Impairment of inventories. Management has estimated the inventory impairment by comparing the carrying amount and their probable net realizable value in assessing the moral and technical obsolescence of inventory items. Due to the inherent uncertainty of this assessment, actual results may differ from expected. Management reviews the estimates from previous years and the actual results of the previous year.
Provisions. The Management uses significant accounting estimates and judgments in determining the amount of provisions (Note 20).

Grid access fee provision

As detailed in Note 20 the calculation of the provision is based on a methodology given by the Regulator, taking into account the estimated value of the respective assets and the electricity consumption of the supplied customers. It covers potential customer claims for compensations related to the past 3-year period.

There is uncertainty incorporated in the calculation of the grid fee provision about the number of customers that might claim this compensation and once claimed about the outcome of the court case. The Group has estimated for all facilities that it is aware they are in use, that it is more likely than not that the amounts will be claimed, and the customers will possibly win in court.

Provision for legal claims

Management assesses the risk of Company's losing legal claims. The estimates are updated periodically to reflect changes in all legal claims and circumstances in regard with them.

4. Adoption of New or Revised Standards and Interpretations

Initial application of new amendments to the existing standards and interpretation effective for the current reporting period.

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions;
- IAS 40 (amendments) Transfer of Investment Property;
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle;
- Amendments to IAS 28 Investments in Associates and Joint Ventures;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The nature and effect of the significant changes as a result of adoption of these new accounting standards are described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has adopted IFRS 15 effective from 1 January 2018 using modified retrospective method.

The nature of this adjustment is described below:

According to IFRS 15, in order for contract to exist, it must be probable that consideration can be collected, and customer has ability and intention to pay the consideration. Determining whether collectability is probable is a very important assessment under IFRS 15. If this criterion is not met, then revenue cannot be recognized (effectively precluding the use of the cash basis of accounting) and any consideration received is recorded as a liability. This has a significant impact on Group's financial statement, since the Group concluded that revenue from domestic sale of electricity to particular customers must not be recognized anymore and previously recognized trade receivables should be written off.

In accordance with new revenue standard requirements, the impact of total on the Group's statement of profit or loss and other comprehensive income and statement of financial position for the period ended as at 31 December 2018 were as follows.

Effect of adoption of all new accounting standards mentioned above is in the total amount of EUR 23,279 thousand as of 31 December 2018.

5. New Accounting Pronouncements

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases[1];
- IFRS 17 Insurance Contracts[2];
- Amendments to IFRS 9 Prepayment Features with Negative Compensation[1];
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures[3];
- Annual Improvements to IFRS Standards 2015–2017 Cycle[1];
- Amendments to IAS 19 Employee Benefits[3];
- IFRIC 23 Uncertainty over Income Tax Treatments[4];
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)[5].

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[2] Effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.

[3] Effective for annual reporting periods beginning on or after 1 January 2019 retrospectively. Earlier application is permitted.

[4] Effective for annual periods beginning on or after 1 January 2019 with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

[5] The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019. The Group has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16 (b). Consequently, the Group will not restate the comparative information. The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease.

IFRS 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 states that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The management of the Group does not anticipate that the application of the amendments to IFRS 9 will have a significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle

The Annual Improvements include amendments to four Standards: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The amendments to IAS 12 clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The management of the Group does not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The management of the Group does not anticipate that the application of the amendments will have a significant impact on the Group's financial statements.

Prior period restatements and reclassifications

Prior period omissions and errors. The Group corrects prior period material omissions and errors retrospectively in the financial statements upon their discovery by restating the comparative amounts for the prior period presented in which the omission and error occurred and if the error occurred before the earlies prior period, then restating the opening balances of those respective assets, liabilities and equity for the earlier prior period.

Prior period reclassifications. Certain reclassifications have been made to the financial statements as at 31 December 2017 and as at 1 January 2017 to conform to the presentation as at 31 December 2018. Reclassifications have affected the consolidated statement of financial position for the year ended 31 December 2017 and 1 January 2017.

Management has identified and retrospectively corrected errors and made reclassifications in respect of the following line items of the statements of financial position:

(EUR'000)	As reported 31-Dec-17	Effect of restatement	As restated 31-Dec-17	As reported 01-Jan-17	Effect of restatement	As restated 01-Jan-17	Ref
Cash and cash equivalents	44,281	(915)	43,366	82,306	(190)	82,116	A,B
Trade and other receivables	123,707	510	124,217	138,861	323	139,184	A
Inventory	10,561	(32)	10,529	7,677	(30)	7,647	A
Other current assets	66,751	(1,221)	65,530	8,669	(1,092)	7,577	A
Property, plant and equipment	452,456	(40)	452,416	472,448	101	472,549	A,C
Intangible Assets	60,920	(137)	60,783	73,308	(141)	73,167	A,C
Trade and other payables	105,013	562	105,575	77,043	2,332	79,375	A
Short-term loans	83,349	(916)	82,433	140,504	(2,179)	138,325	A,B
Other current liabilities	21,965	909	22,874	21,052	(641)	20,411	A
Other non-current liabilities	-	-	-	23,499	1,879	25,378	A
Translation reserve	(66,054)	427	(65,627)	(37,444)	163	(37,281)	A,C
Retained Earnings	274,679	(2,817)	271,862	258,236	(2,583)	255,653	A

A. **EPG**. In 2018, the EPG's management has identified errors in respect of the revenue recognition under the electricity sale and purchase agreement between JSC Georgian Railway and EPG dated 27 September 2011. Based on the terms of the contract, it was agreed that tariff for JSC Georgian Railway should not be increased until 1 September 2016, despite the tariff growth by corresponding resolution of GNERC. In July 2015 GNERC increased tariffs for EPG. Respectively, starting from 1 September 2015 EPG presented invoices to JSC Georgian Railway considering increased tariffs.

B. **OPPA**. Technical overdraft should have been included in items short-term debt and cash in network was incorrectly classified in Cash and cash equivalents. As a consequence of the correction of the error Cash and cash equivalent balance for 31 December 2017 decreased and for 1 January 2017 increased as a net effect of the above-mentioned adjustments.

C. **OPPA**. Fully depreciated/amortized items of property, plant and equipment and intangible assets have been revalued in prior years, yet still maintaining that this was still cost model of accounting, which is a departure from IFRS. The management has reversed such upward valuation entries and recalculated property, plant and equipment and intangible assets based on the historical cost basis.

Management has identified and retrospectively corrected errors and made reclassifications in respect of the following line items of the statements of profit or loss and other comprehensive income for the year ended 31 December 2017. The restatements presented below are made by company OPPA:

(EUR'000)	As reported Year ended 31 December 2017	Effect of restatement	As restated Year ended 31 December 2017	Reference
Revenue	25,726	626	26,352	(ii)
Other income	15,525	(273)	15,252	(ii)
Service expenses	(145,806)	(88)	(145,894)	(i)
Changes in inventory	(4)	(261)	(265)	(iii)
Labour costs	(67,534)	(35)	(67,569)	
Other operating expenses	(14,681)	(45)	(14,726)	(iii)
Depreciation and amortization	(45,408)	94	(45,314)	
Finance costs	(54,713)	16	(54,697)	(i)
Income tax	(4,271)	4	(4,267)	(i)
Total effect of restatements & reclassifications		**38**		

(i) Operating expenses were reclassified to Service expenses. Also, service has been increased due to the cut-off errors identified both for profit or loss for the year ended 31 December 2017 and 2016. Service expenses have been decreased as these related to 2016, while service expenses have been accrued in 2017, thus resulting in overall increase of service expenses. As the above-mentioned expenses were denominated in EUR, these have also affected the foreign exchange loss, which is part of finance costs. Apart from these service expenses has increased as a result of reclassification from income tax line.

(ii) Revenue streams included in Other income was classified to Revenue.

(iii) Cost of terminals and parts sold included in Other expenses was reclassified to Changes in inventory.

Restatements and reclassifications of the statement of financial position and statement of profit or loss and other comprehensive income did not have material impact on the statement of cash flows, except for reclassification of technical overdraft and cash in network as part of cash and cash equivalents as already described above.

6. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party could control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2018, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	-	-
Non-current portion of issued loans	10	207,775	17,163
Prepayments for property, plant and equipment		-	-
Non-current financial assets	11	-	11,217
Other non-current assets	11	27,000	-
Trade and other receivables	13	-	974
Other current assets	15	-	46
Current portion of borrowings		-	-
Non-current portion of borrowings		-	-
Non-current financial liabilities		-	-
Other non-current liabilities	19	-	7,854
Trade and other payables	22	-	25
Other current liabilities		-	1,879

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services		1	294
Other income		-	10
Services expenses		-	(450)
Interest income (incl. guarantee fee)		8,944	1,949
Interest costs		-	(40)

At 31 December 2017, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	23,635	15,282
Non-current portion of issued loans	10	127,156	1,305
Trade accounts receivable	13	6	1,313
Current portion of loans and borrowing	21	-	4,306
Other current assets	15	28,144	527
Prepayments for property, plant and equipment		-	885
Trade and other payables	22	-	114
Non-current portion of loans and borrowings		-	-
Non-current financial liabilities		-	-

The income and expense items with related parties for the year ended 31 December 2017 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services		4	23
Interest income (incl. guarantee fee)	26	1,461	1,136
Other income		-	-
Interest expense	26	952	98
Purchased service		-	9

Entities under common control – "Related parties" chapter – sister companies or group of companies that do not form part of the ENERGO-PRO Group and their shareholder is the entity DK Holding Investments, s.r.o.

7. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Other fixed assets	Total
Cost or valuation						
1 January 2017 Restated	**95,442**	**598,403**	**11,640**	**15,509**	**11,053**	**732,047**
Additions - restated	441	15,838	3,067	30,972	1,245	51,563
Transfers	5	21,849	12	(21,866)	-	-
Disposals - restated	(263)	(851)	(477)	(6,962)	(208)	(8,761)
Reclassification	-	-	-	-	-	-
Reversal of impairment	27	-	-	-	-	27
Acquisitions through business combinations	466	14,535	157	-	1	15,159
Difference in rate of exchange - restated	(7,248)	(41,201)	(1,593)	(1,689)	(502)	(52,233)
31 December 2017 Restated	**88,870**	**608,573**	**12,806**	**15,964**	**11,589**	**737,802**
Reclassification	-	206	(206)	(93)	-	(93)
Additions (+)	455	15,414	2,669	42,176	1,756	62,470
Transfers (+/-)	1,448	33,927	147	(35,873)	351	-
Disposals (-)	(13)	(778)	(1,082)	(1,766)	(303)	(3,943)
Acquisition of subsidiaries (+)	-	-	-	-	-	-
Difference in rate of exchange	(363)	(15,858)	59	64	50	(16,048)
31 December 2018	**90,397**	**641,484**	**14,393**	**20,472**	**13,444**	**780,190**
Accumulated depreciation						
1 January 2017 Restated	**(30,076)**	**(218,209)**	**(6,331)**	**25**	**(4,907)**	**(259,498)**
Charge for the year - restated	(3,000)	(37,112)	(1,438)	(6)	(384)	(41,940)
Disposals - restated	41	547	364	5	24	981
Reclassification	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-
Difference in rate of exchange - restated	2,414	11,852	758	2	45	15,071
31 December 2017 Restated	**(30,621)**	**(242,922)**	**(6,647)**	**26**	**(5,222)**	**(285,386)**
Reclassification	-	(181)	181	-	-	-
Charge for the year (-)	(2,457)	(37,226)	(1,771)	(10)	(693)	(42,157)
Disposals (+)	3	422	877	14	282	1,598
Impairment loss (-)/Reversal of impairment (+)	26	-	-	-	-	26
Difference in rate of exchange	(88)	3,980	(30)	-	(6)	3,856
31 December 2018	**(33,137)**	**(275,927)**	**(7,390)**	**30**	**(5,639)**	**(322,063)**
Net book value						
31 December 2017 Restated	**58,249**	**365,651**	**6,159**	**15,990**	**6,369**	**452,416**
31 December 2018	**57,260**	**365,557**	**7,003**	**20,502**	**7,805**	**458,127**

8. Goodwill

Movements in goodwill arising on the acquisition of subsidiaries and change in the exchange rate are stated below:

(EUR'000)	2017	Acquisitions/ Disposals	Exchange differences	Impairment loss	2018
EPGG (a)	22,214	-	248	-	22,462
EPG (b)	456	-	5	-	461
RH (c)	13,286	-	(3,334)	-	9,952
EPB (d)	24,862	-	-	-	24,862
OPPA (e)	5,836	-	-	-	5,836
Total carrying amount of goodwill	**66,654**	**-**	**(3,081)**	**-**	**63,573**

(a) EPGG Goodwill

(EUR'000)	2018	2017
Gross book value at 1 January	22,214	24,681
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**22,214**	**24,681**
Exchange differences	248	(2,467)
Gross book value at 31 December	22,462	22,214
Impairment loss	-	-
Carrying amount at 31 December	**22,462**	**22,214**

Allocation. Total goodwill is allocated to the Group as a single cash-generating unit ("CGU") that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations split between generation and distribution companies as this is how they will operate in future. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2018	2017
Annual sales growth	6% p.a.	18.87% p.a.
Growth rate beyond three years	1% p.a.	1% p.a.
Pre-tax discount rate	16.5% p.a.	16.5% p.a.

(b) EPG Goodwill

(EUR'000)	2018	2017
Gross book value at 1 January	456	507
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**456**	**507**
Exchange differences	5	(51)
Gross book value at 31 December	461	456
Impairment loss	-	-
Carrying amount at 31 December	**461**	**456**

Allocation. Total goodwill is allocated to the Group as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations split between generation and distribution companies as this is how they will operate in future. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2018	2017
Annual sales growth	5.07% p.a.	7.48% p.a.
Growth rate beyond three years	1% p.a.	1% p.a.
Pre-tax discount rate	16.5% p.a.	16.5% p.a.

(c) RH Goodwill

(EUR'000)	2018	2017
Gross book value at 1 January	13,286	16,171
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**13,286**	**16,171**
Exchange differences	(3,334)	(2,885)
Gross book value at 31 December	9,952	13,286
Impairment loss	-	-
Carrying amount at 31 December	**9,952**	**13,286**

Allocation. The goodwill was allocated to RH as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a forty-year period.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2018	2017
Discount rate	24.5% p.a.	15.5% p.a.
Growth rate beyond forty years	0% p.a.	0% p.a.
Annual sales growth within the forty years	0% p.a.	0% p.a.

(d) EPB Goodwill

(EUR'000)	2018	2017
Gross book value at 1 January	24,862	24,874
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**24,862**	**24,874**
Acquisitions/ Disposals	-	(13)
Exchange differences	-	1
Gross book value at 31 December	24,862	24,862
Impairment loss	-	-
Carrying amount at 31 December	**24,862**	**24,862**

Allocation. All goodwill is allocated to EPB as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. Annually in order to assess the reimbursable value of the goodwill formed upon acquisition of hydrotechnical and hydropower plants to the amount of EUR 24, 849 thousand (BGN 48,600 thousand), the EPB used an external assessor possessing the respective qualification and experience. Upon reporting the specifics of valued assets, a "value into use" was determined for the purposes of the assessment. The value into use is the current value of future cash flows, as expected from an asset or a unit generating cash flows. The value into use reflects reasonable and argumented assumptions of EPB's Management regarding the economic conditions expected to be present during the remaining economic life of the asset. The income approach was applied in order to deduct the value into use of the manufacturing properties, machinery and installations together with their adjoining goodwill. The value into use was determined to EUR 87,197 thousand (BGN 170,542 thousand) (Level 3 of the fair value measurement). This amount, as set based on an income approach for deduction to the amount into use, maintains the value of the goodwill, and there was no depreciation identified.

(e) OPPA Goodwill

(EUR'000)	2018	2017
Gross book value at 1 January	5,836	5,836
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**5,836**	**5,836**
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	**5,836**	**5 836**

Allocation. All goodwill is allocated to Nova as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period.

9. Intangible Assets

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Cost or valuation 1 January 2018	**62,190**	**4,351**	**22,922**	**-**	**525**	**89,988**
Reclassification	-	-	-	93	-	93
Additions (+)	31	227	-	199	520	977
Transfers (+/-)	-	199	-	(199)	-	-
Disposals (-)	-	(9)	-	-	(12)	(21)
Acquisition of subsidiaries (+)	-	-	-	-	-	-
Difference in rate of exchange	(12,761)	8	(2)	-	(8)	(12,763)
31 December 2018	**49,460**	**4,776**	**22,920**	**93**	**1,025**	**78,274**
1 January 2018	**(12,059)**	**(2,157)**	**(14,647)**	**-**	**(342)**	**(29,205)**
Reclassification	-	-	-	-	-	-
Charge for the year (-)	(1,233)	(253)	(1,266)	-	(93)	(2,845)
Disposals (+)	-	-	-	-	9	9
Impairment loss (+/-)	-	-	(1,892)	-	-	(1,892)
Difference in rate of exchange	2,251	(1)	-	-	(1)	2,249
31 December 2018	**(11,041)**	**(2,411)**	**(17,805)**	**-**	**(427)**	**(31,684)**
Net Book Value 31 December 2018	**38,419**	**2,365**	**5,115**	**93**	**598**	**46,590**

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Cost or valuation 1 January 2017 Restated	**75,019**	**2,488**	**22,922**	**-**	**463**	**100,892**
Additions - restated (+)	32	58	-	-	143	233
Transfers (+/-)	-	-	-	-	-	-
Disposals - restated (+)	-	-	-	-	(42)	(42)
Acquisition of subsidiaries (+)	(1,811)	1,901	-	-	-	90
Difference in rate of exchange - restated	(11,050)	(96)	-	-	(39)	(11,185)
31 December 2017 Restated	**62,190**	**4,351**	**22,922**	**-**	**525**	**89,988**
Accumulated depreciation 1 January 2017 Restated	**(12,247)**	**(1,720)**	**(13,382)**	**-**	**(376)**	**(27,725)**
Charge for the year - restated (-)	(1,578)	(469)	(1,265)	-	(17)	(3,329)
Disposals - restated (+)	-	-	-		26	26
Acquisition of subsidiaries (+)	-	-	-	-	-	-
Impairment loss (+/-)	-	-	-	-	-	-
Difference in rate of exchange - restated	1,766	32	-	-	25	1,823
31 December 2017	**(12,059)**	**(2,157)**	**(14,647)**	**-**	**(342)**	**(29,205)**
Net Book Value 31 December 2017 Restated	**50,131**	**2,194**	**8,275**	**-**	**183**	**60,783**

Assets under construction consists mainly of rehabilitation of electricity network and uninstalled equipment. Uninstalled equipment represents equipment and materials that are not yet put into use. Upon completion and installation assets are transferred to technical plant and machinery.

According to the provisions of IAS 36 at the end of each reporting period impairment test is carried out as to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, recoverable amount and the impairment loss shall be estimated for the individual asset. Based on this review impairment loss amounting to EUR 0 thousand is recognized as at 31 December 2018. (as at 31 December 2017 EUR 0 thousand)

10. Issued Loans

(EUR'000)	2018	2017
Non-current portion of issued loans:		
Shareholders - DKHI	207,775	127,156
ENERGO-PRO Industries, s.r.o.	7,399	1,305
ENERGO-PRO MVE, s.r.o.	9,749	-
Other	15	35
Total non-current portion of issued loans	**224,938**	**128,496**
Current portion of issued loans:		
Shareholders - DKHI	-	23,635
ENERGO-PRO MVE, s.r.o.	-	9,451
Terestra Bulgaria	192	1,718
ENERGO-PRO Industries, s.r.o.	-	5,831
Taurus Konsult EOOD	93	346
Other	2	1
Total current portion of issued loans	**287**	**40,982**
Total issued loans	**225,225**	**169,478**

11. Non-current Financial Assets and Advance payments for investments acquisition

(EUR'000)	2018	2017
Receivables from TEIAS (Turkey)	-	732
Receivable from Bilsev for corporate guarantee fee (i)	11,217	-
Restricted bank deposit (ii)	923	1,577
Other	106	106
Total non-current financial assets	**12,246**	**2,415**

(i) EPas is the guarantor of a closed loan dated 29 June 2016 between Bilsev and AKBANK Tic A.S for USD 166 million. In this context, between EPas and Bilsev a contract (including applicable amendments) is concluded, under which the Company will receive a fee equivalent to 2% p.a. of the current loan amount. The fee is based on a professional study.

(i) EPas classifies this receivable as a financial asset because EPas is a party to the contractual arrangement and therefore has a legal right to receive cash. The Company recognizes this financial asset at fair value on initial recognition.

(ii) The bank deposit of RH and EP Toptan amounting to EUR 898 thousand, and EUR 25 thousand respectively, as at 31 December 2018 is pledged for the guarantee letters given to electricity distribution companies and to Energy Market Regulatory Authority(''EMRA'').

Advance payments for investments acquisition

(EUR'000)	2018	2017 Restated
Advance payment for purchase of 49% of BERTA (iii)	27,000	-
Total advance payment for investments acquisition	**27,000**	**-**

(iii) In June 2017, EPV signed a contract for the purchase of 49% of the shares of Berta with DKHI, Czech Republic (related party), in the amount of EUR 27 million (BGN 52,807 thousand). Pursuant to the agreement, EPV has made advance payment for the full amount. The transfer of 49% of BERTA's capital will be made subject to the following conditions: 1. Issuance of a license for electricity production and 2. Obtaining approval by the Regulatory Council for the Energy Market in the Republic of Turkey.

As of 31 December 2017, the prepayment for the acquisition of 49% of BERTA is presented as part of "Other current assets". For comparability of data and its substantial size, as of 31 December 2018 the prepayment is presented in a separate note. In 2018, Management reviewed the timing of the two conditions for the transfer of shares described above and considered it more appropriate for the prepayment to be presented as non-current

12. Inventories

(EUR'000)	2018	2017 Restated
Electrical equipment	3,598	2,693
Inventory related to installation of meters	513	371
Cables and wires	2,328	2,221
Tools and bolts	1,111	815
Meter boxes, cabinets and locks	60	121
Spare parts	835	707
Overalls and special clothes	390	433
Oil and lubricants	498	433
Poles	254	181
Prepayments for inventories	761	193
Inventory related to Paybox Installation	630	535
Scrap & Damaged Inventory	1,068	1,251
Goods	12	-
Other	1,986	1,467
Less: provision for obsolete and slow-moving inventories	(396)	(892)
Total inventories	**13,648**	**10,529**

13. Trade and Other receivables

(EUR'000)	2018	2017 Restated
Distribution to households	55,464	52,375
Distribution to commercial sector	72,540	71,188
Distribution to public sector	268	-
Receivables from export sales	2,068	2,046
Receivables from transmission	6,959	6,516
Rent deposit	81	86
Other trade receivables	2,122	2,764
Less: provision for impairment	(15,505)	(15,833)
Total trade receivables	**123,997**	**119,142**
Guarantee deposits	6,504	4,940
Deposits granted	67	14
Restricted cash	93	121
Total trade and other receivables	**130,661**	**124,217**

Movements in the impairment provision for trade and other receivables are as follows:

(EUR'000)	2018	2017
Provision for impairment at 1 January	15,833	15,847
Adjustment upon application of IFRS 9 and IFRS 15 (as of 1. 1. 2018)	(1,863)	
Impairment charge	2,529	2,836
Reversal of impairment during the year	(1,177)	(2,111)
Amounts written-off during the year as uncollectible	189	(156)
Exchange rate difference	(6)	(583)
Provision for impairment at 31 December	**15,505**	**15,833**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	2018	2017 Restated
Total neither past due not impaired:	**116,044**	**110,993**
Past due but not impaired		
- less than 30 days overdue	3,375	2,824
- 31 to 90 days overdue	1,139	2,418
- 91 to 180 days overdue	672	653
- over 181 days overdue	2,953	2,253
Total past due not impaired	**8,139**	**8,148**
Past due and impaired		
- current and impaired	32	-
- less than 30 days overdue	198	-
- 31 to 90 days overdue	660	496
- 91 to 180 days overdue	898	407
- over 181 days overdue	13,531	14,931
Total past due and impaired	**15,319**	**15,834**
Less: provision for impairment	(15,505)	(15,833)
Total current trade receivables, net	**123,997**	**119,142**

14. Cash and Cash Equivalents

Cash and cash equivalents are held in CZK, BGN, GEL, TRY, USD, EUR, GBP, RON, RSD, and HUF.

(EUR'000)	2018	2017
Cash on hand	52	51
Cash with banks:		
- CZK denominated	797	1,291
- BGN denominated	26,529	23,765
- GEL denominated	8,957	6,850
- TRY denominated	1,211	3,395
- USD denominated	531	753
- EUR denominated	7,029	27,687
- GBP denominated	1	-
- RON denominated	475	-
- RSD denominated	1	-
- HUF denominated	50	-
Cash in transit	-	-
Other cash and cash equivalents	-	-
Restricted cash (i)	(1,214)	(20,426)
Short term deposit	-	-
Total cash and cash equivalents	**44,419**	**43,366**

(i) Restricted cash represents blocked cash in the bank accounts as collateral on legal cases and collateral on issued bank guarantees in favour of third parties. Please see Note 15 for information about year-on-year movement.

15. Other Current Assets

(EUR'000)	2018	2017 Restated
Deferred value-added tax	6	3,160
Advances payments	9,465	11,090
Prepaid insurance	846	1,392
Impairment of other receivables	(15)	(5)
Security for stopped judgement execution	-	1,898
Prepaid tax	57	-
Deferred expenses	12	8
Unbilled income	-	61
VAT receivables	2,081	474
Tax receivables	143	-
Advance payment for purchase of 49% of BERTA (Note 11)	-	27,000
Blocked deposits (i)	93	18,725
Other current receivable from DKHI	-	1,144
Other	598	583
Total other current assets	**13,286**	**65,530**

(i) The largest volume of this amount represented a bank deposit of RH amounting to EUR 18,000 thousand as at 31 December 2017 which was pledged for the guarantee letters given to electricity distribution companies and to Energy Market Regulatory Authority ("EMRA"). A significant decline between 31 December 2017 and 31 December 2018 was caused mainly due the release of this deposit in the first quarter of 2018.

16. Share Capital

The Company has one class of ordinary shares with a par value of CZK 250 thousand carrying one vote per share and a right to dividends. As of 31 December 2018, and 31 December 2017, authorised share capital consisted of 380 ordinary shares in the total amount of EUR 3,569 thousand.

17. Retained Earnings

Part of retained earnings according to the statutory financial statements is available for distribution subject to the legal reserve requirement and subject to restrictive covenants contained in the Terms and Conditions of the Bonds.

18. Non-current Financial Liabilities

(EUR'000)	2018	2017
Financial lease liabilities	41	130
Total non-current financial liabilities	**41**	**130**

19. Other Non-current Liabilities

(EUR'000)	2018	2017
Deferred income from connection fees (i)	-	21,208
Deferred income from remuneration of guarantee commitment (Bilsev) (Note 11)	7,854	-
Government grants	78	129
Total other non-current liabilities	**7,932**	**21,337**

(i) Deferred income represented income from connection fees for connecting new customers to the energy network in Bulgaria. This income was deferred, as the Group had the obligation to deliver this service over a period in the future. The deferred income was recognised in profit or loss over the useful life of the equipment.

A significant year-on-year movement is due to the application of new accounting policies – IFRS 15 and related impact which changed recognition from deferred to at the point of time, please see the Adoption of New or Revised Standards and Interpretations section (Note 4).

20. Current and Non-current Provisions

Analysis of the provisions:

(EUR'000)	2018	2017
Non-current:		
Grid access fee provision (a)	5,698	6,678
Retirement benefits (e)	2,544	2,469
Other non-current provisions (c)	162	158
Total non-current provisions	**8,404**	**9,305**
Current:		
Provision for liabilities for access to producer	-	49
Legal claims (b)	9,385	9,880
Provisions for liabilities – energy effectiveness (c)	5	-
Retirement benefits (e)	348	348
Other (c)	658	6,058
Total current provisions	**10,396**	**16,335**
Total provisions	**18,800**	**25,640**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2017	**6,678**	**9,880**	**49**	**-**	**2,817**	**6,216**	**25,640**
Paid	-	(19)	-	-	(224)	(243)	(486)
Accrued	(16)	3,831	-	5	299	289	4,408
Financial expense	-	-	-	-	-	-	-
Reversed	(963)	(4,302)	(49)	-	(2)	(5,427)	(10,743)
Actuarial loss/ (profit)	-	-	-	-	47	-	47
Difference in rate of exchange	(1)	(5)	-	-	(45)	(15)	(66)
At 31 December 2018	**5,698**	**9,385**	**-**	**5**	**2,892**	**820**	**18,800**

(EUR'000)	Grid access fee	Legal claims	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 1 January 2017	**7,412**	**16,212**	**380**	**2,725**	**2,367**	**5,796**	**34,892**
Paid	-	(6,513)	-	-	(222)	(217)	(6,952)
Accrued	1	2,638	(42)	-	223	1,473	4,293
Financial expense	-	-	-	-	57	-	57
Reversed	(735)	(2,440)	(289)	(2,725)	-	(781)	(6,970)
Actuarial loss/ (profit)	-	-	-	-	427	-	427
Difference in rate of exchange	-	(17)	-	-	(35)	(55)	(107)
At 31 December 2017	**6,678**	**9,880**	**49**	**-**	**2,817**	**6,216**	**25,640**

(a) Grid access fee provision

Following the provisions of art.117, para 7 of Energy act, a provision has been made in order to cover potential future losses from the obligation to compensate the owners of certain grid assets for using their facilities to supply other customers with electricity.

The calculation of the provision is based on a methodology given by EWRC considering the estimated value of the respective assets and the electricity consumption of the supplied customers. EPV distributes electricity through its own and foreign facilities It covers potential customer claims for compensations related to the 3-year period.

(b) Provision for legal claims

Management assesses the risk of EPV's losing legal claims. EPV is exposed to risk of losing legal claims. The estimates are updated periodically to reflect changes in all legal claims and circumstances around them.

In 2012, a counterparty of EPV filed a claim for default of obligations under agreement for connection and lost profits for the period June 2010 - July 2012, and a complaint to the Commission for Protection of Competition. The total amount of claims is EUR 2,864 thousand (BGN 5,599 thousand), and statutory interest. Since in October 2015, the court rejected partially the claim in the amount of EUR 650 thousand (BGN 1,271 thousand), from the provision is released the relevant part.

In 2015, a major supplier filed a claim against a company from the Group for the cost of transportation for the period September 2012 - July 2013. The total claim is in the amount of EUR 2,361 thousand (BGN 4,618 thousand), including interest for delay until the date of filing claims. In December 2018, Supreme Cassation Court issued a decision in favour of the Company and the provision was fully released.

The Group considers that as at December 31, 2018, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 9,385 thousand.

(c) Provision for energy effectiveness

A company of the EPV recognises a provision concerning the possibility of payment to Energy Efficiency Fund. Companies' obligations in relation to the implementation of the national energy efficiency targets are divided into periods, and at the end of 2016 the first period expired. The provision is based on the best estimate of the amount of the liability, concerning this part of the goals of saving for the current year, which is the least likely to be certified.

The assessment of the implementation of the national energy efficiency targets for the first period ending at the end in 2016, was expected to be released by the middle of 2017. Until the end of 2017, the company did not receive any comments on the submitted reports for 2016 and, respectively, from the SEDA no sanctions were imposed on the company of the Group. In this respect, Management acknowledges that the company has fulfilled its obligations for the first period expiring at the end of 2016 and considers that there is justification for a full release of the energy efficiency provision as at December 31, 2017.

As of December 31, 2018, two companies of the Group are included in the list of the companies obliged under the Energy Efficiency Act and are assigned individual targets for energy savings. The Group recognizes a provision in respect of its obligation to meet these individual targets. However, as of December 31, 2018, the Management cannot make a reliable estimate of the cost of certificates and there is no funding for the purchase of certificates in the regulatory framework. Therefore, the energy efficiency provision is accrued on the basis of the statutory minimum sanctions provided for in the Energy Act in the amount of EUR 2.6 thousand per company.

(d) Provision for other obligations

Provision for penalty, determined by Commission of the Protection of Competition ("CPC")

By decision of February 2012, the CPC has formed a proceeding under the Law on Protection of Competition (LPC) against the EPV, Energy System Operator and the National Electric Company, and imposed a property sanction amounting to EUR 529 thousand (BGN 1,035 thousand) in regard with connection of a producer to the distribution network. The provision is charged based on the decision of the CPC, which was appealed before the Supreme Administrative Court.

By decision of March 2013, the CPC has formed a proceeding against the EPV under LPC and imposed a property sanction amounting to EUR 136 thousand (BGN 266 thousand) in regard with connection of a producer to the distribution network. The provision is charged based on the decision of the CPC, which was appealed before the Supreme Administrative Court. By decision of May 2015, the Commission for Protection of Competition (CPC) has formed against the EPV proceeding under the Law on Protection of Competition and imposed a sanction in the amount of EUR 85 thousand (BGN 167 thousand) in relation to unreasonably high prices for using the Low Voltage pillar grid. The provision is created based on the decision of the CPC, which is appealed before the Supreme Administrative Court.

By decision of November 2015, the CPC initiated proceedings against the EPV under the Protection of Competition Act (PCA) and imposed a pecuniary penalty of EUR 7,378 thousand (BGN 14,423 thousand) in connection with violation of Article 21 of the PCA, resulting in abuse of a dominant and monopoly of the electricity market. Since the EPV believes the size of the penalty is excessive, it appeals before the Supreme Administrative Court claiming to be reduced its size to EUR 4,426 thousand (BGN 8,653 thousand). The provision is created to the claimed reduced amount of the penalty.
By decision of June 26, 2018, the Supreme Administrative Court ruled that the EPV did not commit a violation of Article 21 of the LPC. The SAC's decision is final and cannot be appealed. Pursuant to the SAC's Decision, the provision is fully released.

(e) Retirement benefits

≈ Benefits at retirement for illness

Amounts represent EPV's obligation as an employer regarding the payment of retirement benefits for illness. EPV estimated the expected cost of accumulating compensated leaves as additional amount that EPV expects to pay as a result of the unused entitlement that has accrued at the balance sheet date.

The principal actuarial assumptions are as follows:

	2018	2017
Discount rate	1.00%	1.40%
Future salary increases	0%	0%

To investigate better the dynamics of the employment leaves depending on the age, the employees are divided into five age groups. For each of the age group, the turnover of personnel in the last years from 2002 to 2013 is studied. Based on research experience and the Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal have been defined in the actuary model.

Personnel degree of withdrawal in age groups

Age group	Degree of withdrawal
18 – 30	12.0%
31 – 40	8.0%
41 – 50	5.0%
51 – 60	2.0%
Over 60	0.0%

≈ Interest rate for determining the discount factor

For the purpose of discounting is used effective annual interest rate in the amount of 1.00 % (2017: 1.4 %). It is based on the yield on government securities with a 10-year maturity in line with the recommendations of paragraph 83 of IAS 19. Given that the average time until retirement is more than 10 years, the actuary has determined the effective annual discount rate by extrapolation of the data for the effective annual yield of government bonds, the regulations of paragraph 86 of IAS 19.

≈ Wage growth in the coming years

Assumptions about future wage growth in the Group are in accordance with the development plan of Group.

2019 – 0% compared to the level in 2018;
2020 – 2021 – 0% compared to the level in previous year;
2022 and the following – 1% compared to the level in previous year.

21. Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2018.

(EUR'000)	2018	2017 Restated
Non-Current portion of borrowings:		
Czech Export Bank (Czech Republic)	-	142,524
Dolnolabské elektrárny a.s. (Czech Republic)	-	4,288
Issued Bonds (i)	621,100	364,787
Other	-	18
Total long-term portion of borrowings	**621,100**	**511,617**
Current portion of borrowings:		
Czech Export Bank (Czech Republic)	-	26,839
TBC Bank (Georgia)	-	28,816
VTB Bank (Georgia)	-	8,499
Banka DSK EAD (Bulgaria)	-	831
IS Bank (Georgia)	-	3,430
Pasha Bank (Georgia)	-	4,004
PPF Bank (Czech Republic)	-	10,013
Other	35	1
Total current portion of borrowings	**35**	**82,433**
Total borrowings	**621,135**	**594,050**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

(i) Issued Bonds

Bonds Issue	2018	2017
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	974	1,025
Unamortised initial costs associated with the bond issue	(4,897)	(6,238)
Carrying amount of 4% Notes due 2022	**366,077**	**364,787**
4.5% Notes due 2024		
Principal	250,000	-
Accrued Interest	7,428	-
Unamortised initial costs associated with the bond issue	(2,405)	-
Carrying amount of 4.5% Notes due 2024	**255,023**	**-**
Total carrying amount of issued bonds	**621,100**	**364,787**

On 7 December 2017, the Company issued first Eurobonds (ISIN: XS1731657141) with a total face value of EUR 370 million, maturity of 5 years and a fixed coupon of 4% p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds was 100% of the nominal value.

The effective interest rate was calculated at 4.71%. The carrying value of these bonds as at 31 December 2018 was EUR 366,076 thousand (EUR 364,787 thousand as at 31 December 2017)

The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. The Company has the right to repay the bonds before their scheduled maturity date. The guarantors of this bond are EPV, EPG, EPGG and RH.

On 4 May 2018, the Company issued second Eurobonds (ISIN: XS1816296062) with a total face value of EUR 250 million, maturity of 6 years and a fixed coupon of 4.5% p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds 100% of nominal value.

The effective interest rate was calculated at 4.68%. The carrying value of these bonds as at 31 December 2018 was EUR 255,023 thousand.

The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. The Company has the right to repay the bonds before their scheduled maturity date. The guarantors of this bond are EPV, EPG, EPGG and RH.

The terms and conditions of the bonds (including a detailed description of all covenants) are available at the registered office of the Company and on its website (www.energo -pro.com/en/pro-investory).

22. Trade and Other Payables

(EUR'000)	2018	2017 Restated
Trade payables	101,079	100,437
Deposits	19	2,294
Payables for joint participation	1,673	-
Other	2,315	2,844
Total trade and other payables	**105,086**	**105,575**

23. Other Current Liabilities

(EUR'000)	2018	2017 Restated
Taxes payable	4,394	2,113
Payable to personnel	6,514	6,654
Prepayments for electricity	-	115
Deferred income from remuneration of guarantee commitment (Bilsev) (Note 11)	1,879	-
DSI Accrual	99	-
Deferred income from connection fees (Note 4)	-	5,050
Advances received	42	15
Contract liabilities	6,564	7,001
Other liabilities	801	1,926
Total other current liabilities	**20,293**	**22,874**

24. Service Expenses

(EUR'000)	2018	2017 Restated
Dispatch and transmission	(36,856)	(80,495)
Technological losses of electricity	(34,452)	(33,472)
Professional service fees	(14,228)	(7,354)
Repairs and maintenance	(4,617)	(6,039)
Security expense	(1,849)	(1,759)
Insurance	(4,950)	(3,473)
Interconnection charges for rights	(29)	(66)
Rent expense	(3,024)	(2,895)
Encashment fee	(2,021)	(2,059)
Commissions	(5,400)	(3,934)
Other	(5,358)	(4,348)
Total service expenses	**(112,784)**	**(145,894)**

25. Other Operating Expenses

(EUR'000)	2018	2017 Restated
Business trip expenses	(7,908)	(7,183)
GNERC regulatory expense	(1,549)	(1,171)
Provision for impairment losses and bad debt allowances	(3,738)	(730)
Office supplies consumed	(248)	(130)
Provision for expenses	6,852	3,288
Court expenses	(865)	(3,104)
Provision for impairment losses and bad debt allowances of receivables for court cases	(1,465)	(787)
ESCO Service Fee	(529)	(515)
Impairment loss for IA	(1,892)	-
Gains less losses on disposal of PPE and IA	-	(52)
Penalties and fines	(2)	-
Inventory obsolescence expense and write-off	(217)	-
Other services received	(50)	-
Other	(3,871)	(4,342)
Total other operating expenses	**(15,482)**	**(14,726)**

26. Finance Costs - Net

(EUR'000)	2018	2017 Restated
Interest expense from bank borrowings	(5,270)	(27,874)
Expenses related to early payment	(23,185)	-
Expenses related to bought back bonds	-	(1,648)
Unrealized fin. expenses related to bonds	-	(761)
Interest expense bonds	(23,821)	(4,685)
Fee from loans and other	(510)	(187)
Other finance costs	(256)	(324)
Net foreign exchange losses	(36,941)	(19,234)
Finance costs	**(89,983)**	**(54,713)**
Interest income on issued loans	10,954	3,672
Interest income on cash and cash equivalents	141	137
Interest income - bonds	-	484
Gain on sale of bonds	-	45
Other financial income	2,270	2,092
Finance income	**13,365**	**6,430**
Net finance costs	**(76,618)**	**(48,283)**

27. Other Income

(EUR'000)	2018	2017 Restated
Surplus from inventory and PPE counts	703	3,166
Income from penalties and fines	584	374
Gains from bargain purchase	-	8,775
Income from insurance claims	162	538
Gains less losses on disposal of PPE and IA	68	59
Rental income	694	-
Loss from insurance claims	-	(14)
Other	2,820	2,354
Total other income	**5,031**	**15,252**

28. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

EUR'000	2018	2017 Restated
Profit before tax	14,607	17,953
Theoretical tax charge at statutory rate (i)	4,829	(4,496)
Tax rate (ii)	(33%)	25%
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempted from taxation	3,509	7,353
- Deduction of tax losses	179	336
- Imputed tax payables for commercial loss	90	85
- Non-deductible expenses	(4,253)	(3,229)
- Investment allowance used (previously unrecognised)	508	344
- Carry forward tax loss over which deferred income tax asset was not recognised	(1,422)	(341)
- Additional tax payments	(1,789)	-
- WHT paid in other countries	(100)	(185)
- Negative goodwill	(6)	(9)
- Effect of not recognised deferred tax asset	(959)	(414)
- Adjustments to deferred tax attributable to changes in tax rates and laws	(125)	(4)
Income tax income/(expense) for the year	**461**	**(560)**

(i) The theoretical tax charge at statutory rate was determined as the sum of all EP Group entities' theoretical tax charges at statutory rate, calculated for each EP Group entity as its profit / loss before tax multiplied by the applicable statutory tax rate.
(ii) The tax rate has been determined as the theoretical tax charge at statutory rate divided by profit before tax.

(b) Deferred taxes

Deferred income tax assets and liabilities are presented gross and amounts are as follows:

EUR'000	2018	2017
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	5,627	948
- Deferred income tax asset to be recovered within 12 months	552	137
Deferred income tax assets	**6,179**	**1,085**
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(2,223)	(3,752)
- Deferred income tax liability to be recovered within 12 months	-	3
Deferred income tax liabilities	**(2,223)**	**(3,749)**
Net deferred income tax assets/(liabilities)	**3,956**	**(2,664)**

(c) Deferred taxes analysed by type of temporary difference

The movement in deferred income tax assets and liabilities during the year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(EUR'000)	1 Jan 2018	Business combinations / First-time application of IFRS 9 and 15	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2018
Tax effect of deductible temporary differences					
Property, plant and equipment & Intagible assets	(16,229)	-	730	2,641	(12,858)
Trade receivables	-	-	(57)	3	(54)
Borrowings	17	-	(77)	-	(60)
Other current assets	(224)	-	1	56	(167)
Other temporary differences	(249)	-	(23)	(4)	(276)
Total deferred tax liability	**(16,685)**	**-**	**574**	**2,696**	**(13,415)**

(EUR'000)	1 Jan 2018	Business combinations / First-time application of IFRS 9 and 15	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2018
Tax effect of deductible temporary differences					
Inventories	(15)	-	328	(1)	312
Allowances for trade receivables	956	(101)	119	-	974
Trade and other payables	2	-	-	-	2
Deferred income	669	(667)	-	(1)	1
Provisions	2,437	-	(693)	(18)	1,726
Carry forwards tax losses	7,053	-	6,287	(1,949)	11,391
Unutilised investment incentives	1,898	-	508	(505)	1,901
Other temporary differences	1,021	-	108	(65)	1,064
Total deferred tax assets	**14,021**	**(768)**	**6,657**	**(2,539)**	**17,371**
Net deferred tax liability	**(2,664)**	**(768)**	**7,231**	**157**	**3,956**

The tax effects of the movements in the temporary differences for the year ended 31 December 2017 are:

(EUR'000)	1 Jan 2017	Disposal	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2017
Tax effect of deductible temporary differences					
Property, plant and equipment & Intagible assets	(19,539)	-	1,043	2,267	(16,229)
Trade receivables	-	-	-	-	-
Borrowings	41	-	(18)	(6)	17
Other current assets	(270)	-	(2)	48	(224)
Other temporary differences	**(305)**	**-**	**9**	**47**	**(249)**
Total deferred tax liability	**(20,073)**	**-**	**1,032**	**2,356**	**(16,685)**

The tax effects of the movements in the temporary differences for the year ended 31 December 2017 are:

(EUR'000)	1 Jan 2017	Disposal	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2017
Tax effect of deductible temporary differences					
Inventories	123	-	(142)	4	(15)
Allowances for trade receivables	1,147	-	(192)	1	956
Trade and other payables	2	-	-	-	2
Deferred income	834	-	(165)	-	669
Provisions	3,428	3	(977)	(17)	2,437
Carry forwards tax losses	4,797	-	3,343	(1,087)	7,053
Unutilised investment incentives	1,929	-	344	(375)	1,898
Other temporary differences	596	-	457	(32)	1,021
Total deferred tax assets	**12,856**	**3**	**2,668**	**(1,506)**	**14,021**
Net deferred tax liability	**(7,217)**	**3**	**3,700**	**850**	**(2,664)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

In May 2016 the Georgian parliament adopted and the president signed into legislation changes to the corporate tax code, with changes applicable on 1 January 2017. The code is applicable for Georgian companies and permanent establishments (''PEs'') of nonresident companies, apart from certain financial institutions.

The previous profit tax regime, under which companies were subject to tax on their annual taxable profits, is now changed to a system where tax will have to be paid only if corporate profits are distributed.

The change has had an immediate impact on deferred tax of the Companies as it abolishes temporary differences between a carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. Due to the changes of the tax legislation balance of deferred tax assets and liabilities attributable to previously recognized temporary differences arising from prior periods was fully written off in the statement of profit and loss.

29. Contingencies and Commitments

(a) Legal Proceedings

EPas

EPas is in arbitration proceedings with the Republic of Bulgaria. EPas claims that the Republic of Bulgaria has violated its obligations arising out of the Agreement between the Czech Republic and the Republic of Bulgaria for the Promotion and Reciprocal Protection of Investments and the Energy Chart Treaty. EPas claims compensation of damage. The proceedings remain ongoing and a final arbitral award is unlikely to be expected until end-2019 at the earliest.

EPB

As at 31 December 2018, a legal claim for EUR 1,259 thousand (BGN 2,462 thousand) related to liability – expenses for balancing power against the EPB was initiated from NEK EAD. This claim is contested by the EPB.

EPB initiated an arbitration claim against NEK EAD amounting to EUR 1,147 thousand (BGN 2,243 thousand) for damages due to illegal termination of contract for electrical energy purchase from Power Plants with 10 MW or more installed generating power.

EPB is plaintiff in other legal court trade cases with claims of financial interest amounting to EUR 278 thousand (BGN 544 thousand) as at 31 December 2018.

Based on its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these interim condensed consolidated financial statements.

EPV

PPE without ownership documents

In regard with the separation of EDC Gorna Oryahovitsa (former name of Electro North) and EDC Varna (former name of EPS from the National Electricity Company (NEC) effected in 2000, the Companies from the EPV acquired certain land and buildings with insufficient ownership deeds. As at December 31, 2018 the EPV's net book value of such assets is EUR 1,486 thousand (as at December 31, 2017: EUR 1,532 thousand). The EPV's Companies are in process of acquiring of the necessary title deeds. In these financial statements no liabilities have been recognised in relation to these assets.

(b) Tax legislation

Tax legislation is subject to varying interpretations, and changes, which can occur frequently in **Bulgaria**. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

The taxation system in **Georgia** is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a few government bodies, which have the authority to impose severe fines, penalties and interest charges. Management believes that it has implemented internal controls to follow transfer pricing rules and principles ("TP legislation"). Given that the practice of implementation of the Georgian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions.

However, the interpretations of the relevant authorities could differ and the effect on this financial information, if the authorities were successful in enforcing their own interpretations, could be significant to the Group.

In **Turkish** direct taxation system, rights, burdens, ways of implementing mandates and carrying out duties along with principals of accrual are regulated by the Tax Procedure (TP) Law. This Law comprises procedural and formal provisions of all tax laws. Taxes, duties and charges, and the ones that belong to provincial private administrations and municipalities are within the scope of the Law. A corporate is a subject of income tax on its income and earnings. The rules concerning the taxation of corporations are contained in the Corporate Income Tax (CIT) based on the CIT Law introduced in 2006. The corporate tax is levied on the income and earnings derived by corporations and corporate bodies. In other words, the CIT Law sets provisions and rules applicable to the income resulted from the activities of corporations and corporate bodies.

Management of the Group has no information for any circumstances which may lead to tax payables in excess of tax liabilities recognized.

(c) Assets pledged and restricted

EPV

Pledge on shares

As disclosed in Note 18, the bond issue in November 2016 by EPV is secured with a special pledge on the shares of EPS and Electro North and shares of EPES, owned by EPV. New shares and / or shareholdings, which would in the future be held by EPV in the three companies, as well as dividends, proceeds from sale and liquidation quotas are also provided as collateral.

In December 2017 EPV exercised a call option on the bond issue and in March 2018 the pledge on the shares of EPS, Electro North and EPES, owned by EPV were released.

(d) Environmental matters

The enforcement of environmental regulation in each country where Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(e) Contingent assets

RH

RH received guarantee letters amounting to EUR 3.7 thousand (TRY 25 thousand) as of 31 December 2018. Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

(f) Contingent liabilities

EPas

EPas has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 166,000 thousand loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 31 December 2018, USD 88,000 thousand was drawn under this facility.

On 18 February 2019, EPas signed Amended Finance Documents with respect to this facility. Once these Amended Finance Documents become effective the total amount that may be claimed under the EPas guarantee will be limited to USD 50,000 thousand. The principal condition precedent for the Amended Finance Documents to become effective is the cash deposit with Akbank by or on behalf of Bilsev of an amount equal to the remaining equity-funded capital expenditure with respect to the project.

EPas has issued a guarantee in favour of a club of banks in connection with a EUR 8,000 thousand revolving facility for Litostroj Power, d.o.o.. The guarantee is for 50% of the drawn amount. As of 31 December 2018, EUR 8,000 thousand was drawn under this facility.

Since the date of issuance of the financial statements, the amount of this revolving credit facility has been reduced to EUR 5,000 thousand.

EPT

Unicredit Bulbank AD has issued in name of EPT a bank guarantee to various subjects (IBEX EAD, ESO EAD) in amount EUR 2,396 thousand as of 31 December 2018.

RH

RH issued guarantee letters amounting to EUR 972 thousand: TRY 5,857 thousand (31 December 2017: EUR 4,876 thousand: TRY 22,021 thousand). Guarantee letters issued are mainly given to the Energy Market Regulatory Authority (''EMRA''), TEİAŞ and various electricity distribution institutions.

(g) Commitments

EPV

Purchase of energy facilities

According to paragraph 4 of Closing decrees of the Energy law the Group is required within 8 years as from the coming into force of the Energy Law to purchase energy facilities, comprising elements of the transportation or distribution network, owned by individuals or legal entities. The deadline for the purchase of energy facilities which are owned by users expired in December 2015. Therefore, the

Management has considered the application of IFRIC 4 and the corresponding existence of a financial leasing. Under IAS 17 the asset should be accounted for at the lower of fair value and the present value of the minimum lease payments and it is equal to zero.

The Management has assessed the fair value of energy facilities, which are owned by consumers, which as at December 31, 2018 amounted to EUR 13,977 thousand (December 31, 2017: EUR 15,328 thousand). The Management is unable to predict when energy facilities that are not redeemed by December 31, 2018 will be purchased.

As at December 31, 2018 a company from the EPV has entered into connection agreements for XXX connection facilities (December 31, 2017: 584 connection facilities) under which the counter party is obliged to build the facilities. The EPV has committed to purchase these facilities after they have been finished. The Management of the company is not able to reliably assess these capital commitments as it does not have information on the expected value of the facilities to be built. The average value of the connected facilities for the period 2017–2018 is EUR 32 thousand (2016–2017: EUR 20 thousand).

EPG & EPGG

Pursuant to the "Sale agreement of the assets of the hydro power plants and the electricity distribution companies" concluded between the Government of Georgia and EPG, EPGG has undertaken commitment to:

- ≈ Maintain 85% of the installed capacity of the purchased hydro power plants; and
- ≈ Procure provision of uninterrupted service to the respective customers.

In addition, EPG, EPGG has agreed to contribute an additional investment of:

- ≈ USD 40 million in rehabilitation of hydro power plants; and
- ≈ Up to USD 100 million in the rehabilitation and modernisation of the distribution networks.

As of 31 December 2018 and 31 December 2017, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

The EPG Group has guaranteed the following obligations: LLC SOCAR Gas Export – Import - The restricted bank deposit of USD 120 thousand: GEL 311 thousand) as at 31 December 2018, USD 120 thousand, as at 31 December 2017 is pledged according to the agreement between the EPG Group and LLC "SOCAR Gas Export - Import" for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export - Import". According to the amendment dated 5 February 2018, the maturity date of the pledge was further prolonged to 9 March 2019.

According to SOCAR Gas Export-Import agreement #GP-01-12/19 dated Dec 5, 2018. From 06 March 2019 the EPG Group will not have restricted cash on LLC gPower accounts as the new guarantee is non-cash cover.

EPB

EPB has signed leased contract for office in Sofia. The rental rate varies over the time. The contract was signed in 2018 and cannot be cancelled, except for breach of its provision by either party.

Annual payments under this contract is as follow:

	Up to 1 year	between 2 and 5 years
Total annual rent	45	53

To secure the obligation of renting amount, EPB issued in favour of the landlord a bank guarantee of total value of EUR 9 thousand in 2018 (2017: EUR 9 thousand).

EPV

In November 2014, a company from the Group has entered into a lease agreement for offices in Varna. The rental price varies in different periods. In August 2017, the company entered into an annex to the office lease agreement, under which the term of the lease was extended until September 30, 2020.

Annual payments under this contract is as follow:

	Up to 1 year	between 2 and 5 years
Total annual rent	928	808

As at December 31, 2018, to secure the obligations of renting amount, EPV issued in favor of the landlord a bank guarantee of a total value of EUR 235 thousand (2017: EUR 235 thousand).

In November 2018, two companies from EPV has entered into a lease agreement for offices in Sofia. The rental price varies in different periods. The contract is concluded for a period up to November 12, 2023 and cannot be terminated except in violation of its provisions by one of the parties.

Annual payments under this contract is as follow:

	Up to 1 year	between 2 and 5 years
Total annual rent	303	1,211

To secure the obligations of renting amount, the companies from the Group issued in favour of the landlord bank guarantees of a total value of EUR 52 thousand (BGN 102 thousand).

30. Business Combinations

In the year 2018, no new acquisitions were realized in the year 2018.

31. Transactions with Non-controlling Interest

In the year 2018, no transactions with non-controlling interest were realized in the year 2018.

32. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk. Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's principal financial assets are bank balances, cash, trade receivables and issued loans. The credit risk on liquid funds is limited because the counterparties are banks with positive credit ratings (A to B). The risk on issued loans is limited because the main part consists from loans provided to the shareholders. Trade receivables include a large number of customers from various geographical and industry segments and Group considers the credit risk arising from the failure of one or more companies to pay as not significant, and within the manageable risk. The internal analysis of age structure of trade receivables shows no significant value of overdue receivables. For free customers, the Group assesses the credit quality of the customers by assessing the financial position of the customers, past experiences and other factors as a part of its credit risk management program.

(EUR'000)	2018	2017 Restated
Non-current financial assets (Note 11)		
- Restricted bank deposit	923	1,577
Trade and other receivables (Note 13)		
- Trade receivables	123,997	119,142
Issued loans (Note 10)		
- Loans issued	225,225	169,478
Cash and cash equivalents (Note 14)		
- Bank balances payable on demand	44,419	43,366
- Short-term deposit	-	-
- Restricted cash	1,214	20,246
Total	**395,778**	**353,809**

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 2018 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2018			31 December 2017		
(EUR'000)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
USD *)	16,363	9,778	6,585	987	11,115	(10,128)
EUR	198,957	623,097	(424,140)	166,507	223,618	(57,111)
RON *)	570	-	570	370	12	358
TRY *)	4,512	3,138	1,374	28	-	28
GBP *)	1	-	1	-	-	-
Total	**220,403**	**636,013**	**(415,610)**	167,892	234,745	(66,853)

*) Denominated in EUR

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	31 December 2018	31 December 2017
(EUR'000)	**Impact on profit or loss**	**Impact on profit or loss**
US Dollar strengthening by 10%	659	(1 013)
US Dollar weakening by 10%	(659)	1 013
EURO strengthening by 10%	(42,414)	(5,711)
EURO weakening by 10%	42,414	5,711
RON strengthening by 10%	57	36
RON weakening by 10%	(57)	(36)
TRY strengthening by 10%	137	3
TRY weakening by 10%	(137)	(3)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure, at the same time a certain proportion of the Group's financial assets and liabilities are at fixed rates and thus the risk is limited.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings. The Group's liquidity portfolio comprises cash and cash equivalents (Note 14). Management estimates that the liquidity portfolio of cash and bank deposits except for the restricted cash can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The tables below show liabilities at 31 December 2018 and at 31 December 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities as at 31 December 2018 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings (Note 21)	3	-	-	**3**
Trade and other payables (Note 22)	105,086	-	-	**105,086**
Non-current financial liabilities and Other Non-current liabilities (Note 18,19)	-	-	-	**-**
Other current liabilities	801	41	-	**842**
Issued Bonds (Note 21)	26,050	463,000	262,150	**751,200**
Total future payments, including future principal and interest payments	**217,370**	**576,916**	**18,742**	**813,028**

The maturity analysis of financial liabilities as at 31 December 2017 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings (Note 21)	95,891	147,586	18,742	**262,219**
Trade and other payables (Note 22)	105,013	-	-	**105,013**
Non-current financial liabilities and Other Non-current liabilities (Note 18,19)	-	-	-	**-**
Other current liabilities (Note 23)	1,666	130	-	**1,796**
Issued Bonds (Note 21)	14,800	429,200	-	**444,000**
Total future payments, including future principal and interest payments	**217,370**	**576,916**	**18,742**	**813,028**

Trade and other payables are payable within 3 months from the reporting period.

Capital management. Capital management is performed by the owners of the Group based on their requirements with respect to optimal capital structure of the Group. The Group only manages its capital structure with respect to legal requirements in the jurisdictions where the Group operates.

Management considers equity as presented in these consolidated financial statements, excluding non-controlling interest, as the Group's capital.

33. Fair Value of Financial Instruments

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group has no financial instruments measured at fair value in the condensed consolidated statement of financial position except for the Guarantees (Note 11). The fair value for the purposes of disclosure of the following financial instruments is assumed as reasonably close to their carrying value:

- ≈ Trade and other receivables;
- ≈ Cash and cash equivalents;
- ≈ Loans;
- ≈ Trade and other payables

Issued Bonds

The fair value of bonds is based on the quoted market price for the same or similar issues or on the current rates available for bonds with the same maturity profile.

Carrying amounts and estimated fair values of financial instruments as at 31 December 2018, are as follows:

(EUR'000)	Carrying amount	Fair Value	Interest	Total Fair Value
4% Notes due 2022	366,077	356,623	973	**357,596**
4.5% Notes due 2024	255,023	226,942	7,428	**234,370**
Total	**621,100**	**583,566**	8,401	**591,967**

At the end of the year 2017 the fair value of issued bonds and their carrying amount were similar.

34. Events after the Reporting Period

Acquisition of EPT

In August 2018, between EPV and EPas an Agreement for the purchase and sale of 100% of the shares of EPT amounting to EUR 2 million (BGN 3,912 thousand) was concluded and EPV prepaid the full amount under the agreement in November 2018. In January 2019, preparation of the transfer of the temporary certificates, together with the transfer of all the rights and shares was made, and EPV became the owner of 100% of the capital of EPT.

Credit line for issuance of bank guarantees by Expressbank AD

In January 2019, a company of the EPV concluded a contract with Expressbank AD (formerly Societe Generale Expressbank AD) for a credit line for issuing bank guarantees with a limit of EUR 7.7 million (BGN 15 million). The maturity date is January 2, 2020. The applicable interest rate on the credit line is Reference rate in BGN plus 1.70% per annum, but not less than 1.70% per year. The credit line is secured by pledge on current and future funds on current accounts in Expressbank AD.

Overdraft credit from Raiffeisenbank (Bulgaria) EAD

In February 2019, a company from the EPV concluded with Raiffeisenbank (Bulgaria) EAD a contract for overdraft credit in the amount of EUR 15.3 million (BGN 30 million). The final repayment date is December 20, 2019. The applicable interest rate on the loan is Reference interest rate in BGN plus 1.45% per annum, but not less than 1.45% per year. The credit is unsecured. The co-debtor under the contract is EPV.

Bilsev loan guarantee (Note 29)

On 18 February 2019, EPas signed Amended Finance Documents with respect to Bilsev's revolving credit facility. Once these Amended Finance Documents become effective the total amount that may be claimed under the EPas guarantee will be limited to USD 50,000 thousand. The principal condition precedent for the Amended Finance Documents to become effective is the cash deposit with Akbank by or on behalf of Bilsev of an amount equal to the remaining equity-funded capital expenditure with respect to the project.

Litostroj Power d.o.o. revolving credit facility guarantee (Note 29)

EPas has issued a guarantee in favour of a club of banks in connection with a EUR 8,000 thousand revolving credit facility for Litostroj Power, d.o.o.. The guarantee is for 50% of the drawn amount. As of 31 December 2018, EUR 8,000 thousand was drawn under this facility. Since the date of issuance of the financial statements, the amount of this revolving credit facility has been reduced to EUR 5,000 thousand.