ENERGO - PRO a.s.

Condensed Consolidated Interim Financial Statements and Independent Auditor's Report

for 6 months ended 30 June 2020

Building a better
working world

Report on Review of Interim Financial Information

To the Shareholders of ENERGO - PRO a.s.:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of ENERGO - PRO a.s. and its subsidiaries ("ENERGO - PRO Group"), which comprise the Condensed Consolidated Interim Statement of Financial Position as at 30 June 2020, and the related Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Changes in Equity and Condensed Consolidated Interim Statement of Cash Flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 - Interim Financial Reporting as adopted by European Union ("IAS 34"). Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of ENERGO - PRO Group are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Audit, s.r.o.
License No. 401

Jiří Křepelka, Auditor
License No. 2163

11 September 2020
Prague, Czech Republic

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ENERGO - PRO a.s.
Condensed Consolidated Interim Statement of Financial Position
As at 30 June 2020

(EUR'000)	Note	30 Jun 2020	31 Dec 2019	01 Jan 2019
ASSETS				
Non-current assets				
Property, plant and equipment	7	460,754	479,573	459,854
Advances for property, plant and equipment		-	-	50
Goodwill	8	58,900	61,645	63,573
Other intangible assets	9	33,388	37,686	46,590
Non-current financial assets	11	13,730	14,034	12,246
Investment in associate	12	27,000	-	-
Advance payments for investments acquisition	12	-	27,000	27,000
Deferred tax assets		5,003	4,880	4,452
Non-current portion of issued loans	10	290,591	266,245	224,938
Other non-current assets		2,184	1,430	606
Total non-current assets		**891,550**	**892,493**	**839,309**
Current assets				
Inventories	13	23,239	23,348	13,648
Trade and other receivables	14	128,440	156,623	130,661
Current income tax asset		2,949	3,022	2,415
Current portion of issued loans	10	696	679	287
Cash and cash equivalents		23,654	16,589	44,419
Other current assets	15	18,069	15,503	13,286
Total current assets		**197,047**	**215,764**	**204,716**
Total assets		**1,088,597**	**1,108,257**	**1,044,025**
EQUITY				
Authorised share capital		3,569	3,569	3,569
Translation reserve		(76,426)	(69,580)	(58,774)
Retained earnings		351,724	354,285	304,950
Equity attributable to the company's owners		**278,867**	**288,274**	**249,745**
Non-controlling interest		19,164	18,186	16,175
Total equity		**298,031**	**306,460**	**265,920**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		6,483	6,725	2,223
Non-current Provisions	16	8,755	8,840	8,404
Non-current Borrowings	17	625,837	622,606	621,100
Non-current financial liabilities		2,418	727	41
Other non-current liabilities	20	8,702	9,183	9,771
Total non-current liabilities		**652,195**	**648,081**	**641,539**
Current liabilities				
Current Provisions	16	3,783	7,283	10,396
Trade and other payables		92,212	107,459	105,086
Income tax payable		2,626	768	623
Current Borrowings	17	13,036	15,824	35
Contract liabilities		9,655	9,564	6,564
Other liabilities to shareholder		-	24	-
Other current liabilities		17,059	12,794	13,862
Total current liabilities		**138,371**	**153,716**	**136,566**
Total liabilities		**790,566**	**801,797**	**778,105**
TOTAL LIABILITIES AND EQUITY		**1,088,597**	**1,108,257**	**1,044,025**

(EUR'000)	Note	1 January - 30 June 2020	1 January - 30 June 2019 Reclassified
Revenue			
Sales of electricity in local markets		265,800	299,692
Cross border sales of electricity		-	23
Grid components of electricity sales price		57,155	55,971
Services and other		51,733	31,856
Total revenue		**374,688**	**387,542**
Other income		13,869	3,950
Changes in inventory of products and in work in progress		-	(46)
Capitalized own products and own services		371	919
Purchased power		(216,211)	(232,795)
Service expenses		(61,335)	(53,024)
Labour costs		(37,313)	(34,235)
Material expenses		(6,000)	131
Tax expenses		(2,307)	(3,092)
Other operating expenses		(5,758)	(4,975)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA) [1]		**60,004**	**64,375**
Depreciation and amortisation expense		(23,529)	(27,557)
Earnings before financial expenses and taxes (EBIT)		**36,475**	**36,818**
Finance income	18	7,904	7,038
Finance costs	18	(43,586)	(25,407)
Finance costs – net		**(35,682)**	**(18,369)**
Income before income tax (EBT)		**793**	**18,449**
Income tax		(2,831)	(2,503)
Deferred taxes		420	(952)
Total income tax expense		**(2,411)**	**(3,455)**
Profit/(loss) for the year		**(1,618)**	**14,994**
Profit/(loss) attributable to:			
- Owners of the company		(2,599)	13,917
- Non-controlling interest		981	1,077
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(6,848)	(13,233)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		-	-
Tax effect		-	-
Net amount		-	-
Other comprehensive income/(loss)		**(6,848)**	**(13,233)**
Total comprehensive income/(loss)		**(8,466)**	**1,761**
Total comprehensive income attributable to:			
- Owners of the company		(9,447)	684
- Non-controlling interest		981	1,077

[1] EBITDA is a non-gaap measure in the Condensed 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)	Note	Equity attributable to the company's owners: Authorised share capital	Translation reserve	Retained earnings & Other reserves	Total equity without non-controlling interest	Non-controlling interest	Total equity
01 January 2019		**3,569**	**(58,774)**	**304,950**	**249,745**	**16,175**	**265,920**
Net income for the period		-	-	13,917	13,917	1,077	14,994
Other comprehensive income		-	(13,233)	-	(13,233)	-	(13,233)
Comprehensive income for the period		-	(13,233)	13,917	684	1,077	1,761
Dividends payable to non-controlling interest		-	-	-	-	-	-
Other changes in equity		-	-	741	741	-	741
30 June 2019		**3,569**	**(72,007)**	**319,608**	**251,170**	**17,252**	**268,422**
01 January 2020		**3,569**	**(69,580)**	**354,285**	**288,274**	**18,186**	**306,460**
Net income for the period		-	-	(2,599)	(2,599)	981	(1,618)
Other comprehensive income		-	(6,848)	-	(6,848)	-	(6,848)
Comprehensive income for the period		-	(6,848)	(2,599)	(9,447)	981	(8,466)
Other changes in equity		-	2	38	40	(3)	37
30 June 2020		**3,569**	**(76,426)**	**351,724**	**278,867**	**19,164**	**298,031**

ENERGO - PRO a.s.
Condensed Consolidated Interim Statement of Cash-flows
For the period ended 30 June 2020

(EUR'000)	Note	1 January - 30 June 2020	1 January - 30 June 2019
Profit/(loss) before income tax		**793**	**18,449**
Adjusted for:			
Depreciation and amortization expense	7,9	23,529	27,557
Unrealised currency translation losses/(gains)		27,009	10,895
Interest income	18	(7,627)	(6,811)
Interest expenses	18	13,814	14,289
Changes in provisions and impairment		(2,395)	(2,723)
Assets granted free of charge		(137)	(8)
Inventory surplus		(726)	(241)
(Gain)/Loss on disposal of property, plant and equipment		591	1,309
Inventory obsolescence expense		1,395	5,576
Other changes - difference in rate of exchange etc.		2,036	(1,609)
Cash inflow from operating activities before changes in operating assets and liabilities		**58,282**	**66,683**
Movements in working capital			
Decrease/(increase) in inventories	13	(1,434)	(6,081)
Decrease/(increase) in trade accounts receivable	14	19,318	14,070
Decrease/(increase) in other current assets	15	(5,090)	(5,882)
Increase/(decrease) in trade and other payables		(9,995)	(16,542)
Increase/(decrease) in other liabilities		3,347	4,491
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**64,428**	**56,739**
Interest received		-	24
Income tax paid		(684)	(1,342)
Net cash (outflow)/inflow from operating activities		**63,744**	**55,421**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired (-), Disposal of subsidiaries, net of cash of entities disposed		-	-
Purchases of property, plant and equipment and intangible assets	7,9	(23,888)	(40,056)
Proceeds from sale of property plant and equipment		52	93
Loans granted	10	(18,782)	(25,048)
Loans repaid	10	-	2,012
Net change in deposits granted		812	127
Acquisition of financial investment		(385)	(99)
Net cash outflow from investing activities		**(42,191)**	**(62,971)**
Cash flows from financing activities			
Proceeds from borrowings		135,771	88,683
Repayment of borrowings		(137,522)	(88,683)
Interest paid		(11,441)	(11,266)
Dividends paid to non-controlling interest		-	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		**(13,192)**	**(11,266)**
Net increase/(decrease) in cash and cash equivalents		**8,361**	**(18,816)**
Cash and cash equivalents at the beginning of the year		**16,589**	**44,419**
Effect of exchange rate on changes on Cash and Cash equivalents		(1,296)	(741)
Cash and cash equivalents at the end of the year		**23,654**	**24,862**

Notes to Condensed Consolidated Interim Financial Statements

1. ENERGO - PRO a.s. Group and its's operations

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. are power generation from hydropower plants ("HPPs"), electricity distribution and power trading.

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

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 ("the EP Group" or "the Group"), which comprises the following entities and their subsidiaries consolidated in these financial statements as of 30 June 2020:

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 VARNA EAD	Bulgaria	100%
Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş.	Turkey	100%
ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş.	Turkey	100%

The above-mentioned status of shares within ENERGO - PRO a.s. Group was the same as at 31 December 2019.

The Group is organised and managed based on geographical 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 possesses know-how in dealing with large numbers of customers, network planning and optimisation. In power trading, the Group had 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 MW of installed capacity. The Group continues to look for new investment opportunities, focusing on South-Eastern Europe and the Black Sea region.

List o ENERGO – PRO a.s. Group´s power plants as of 30 June 2020:

Hydropower 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 hydropower 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 30 June 2020 and 31 December 2019 was 9,183 and 9,210 respectively.

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 hydropower plants and electricity distribution companies and obtained a 100% control over the assets of United Energy Distribution Company, Adjara Energy Distribution Company and six hydropower 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 the 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**	**30 June 2020**	**31 December 2019**
LLC gPower	Georgia	100%	100%
LLC Zoti Hydro	Georgia	-	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).

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.

On February 11, 2020, LLC Zoti Hydro was officially liquidated.

The number of EPG's employees as at 30 June 2020 and 31 December 2019 was 5,649 and 5,690 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 1,554 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 30 June 2020 and 31 December 2019 was 470 and 479, respectively.

OPPA JSC ("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 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 based and java terminals and other related services.

As at 30 June 2020, OPPA is parent company in the following entity:

		OPPA's ownership interest	
Name	**Location**	**30 June 2020**	**31 December 2019**
LLC OPPA Commerce	Georgia	100%	100%

OPPA established a subsidiary company LLC OPPA Commerce ("OPPA Commerce") in September 2018. Its main activity is optimization of commercial activities of OPPA.

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

The number of OPPA's employees as of 30 June 2020 and 31 December 2019 was 315 and 309, 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 annual production of 322 GWh for the year 2019, 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 5, 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**	**30 June 2020**	**31 December 2019**
Pirinska Bistritsa Energia AD	Bulgaria	100%	100%
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 30 June 2020.

The number of EPB’s employees as at 30 June 2020 and 31 December 2019 was 138 and 132, respectively.

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 EPV 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.

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

		EPV’s ownership interest	
Name	**Location**	**30 June 2020**	**31 December 2019**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EAD	Bulgaria	100.00%	100.00%
ENERGO-PRO Trading EAD	Bulgaria	-	100.00%
Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş	Turkey	49.00%	-

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. Electro North 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. Electro North 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 license, 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 license for the activity of delivery of electricity from the supplier of last resort.

ENERGO-PRO Energy Services EAD ("EPES") is registered in a Trade register to Registration Agency with UIK 131512672 with permanent address 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.

On February 17, 2020, a transformation was registered in the Commercial Register through the merger of ENERGO-PRO Energy Services EOOD into ENERGO-PRO Trading EAD.

On February 21, 2020, a change in the name of ENERGO-PRO Trading EAD to ENERGO-PRO Energy Services EAD was entered in the Commercial Register, as well as the subject of activity that unites the subject of activity of the two companies. On the same date the representation of the company was changed, and it is represented by every two of the three members of the board of directors. With the previous entries in the Commercial Register, the registered office of the company was changed from the city of Sofia to the city of Varna.

The number of employees of the EPV as of 30 June 2020 and 31 December 2019 was 2,363 and 2,347, 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 involve operating of HPPs and trading with electricity produced through those plants.

The number of employees of RH as at 30 June 2020 and 31 December 2019 was 99 and 99, respectively.

ENERGO-PRO GÜNEY ELEKTRIK TOPTAN SATIŞ ITHALAT IHRACAT VE TICARET A.Ş. ("EPTop")

EPTop was registered on 19 February 2010. The registered address of EPTop 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 EPTop as at 30 June 2020 and 31 December 2019 was 9 and 8, respectively.

ENERGO PRO İNŞAAT ŞANYİ VE TİCARET 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 the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

The number of employees of EPInsaat 30 June 2020 and 31 December 2019 was 63 and 72, 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 at 30 June 2020 and 31 December 2019 was 43 and 41, respectively.

Related party companies[1]

Dolnolabské elektrárny a.s. (“DEL”)

DEL is a joint stock company established on 15 May 2000. DEL is a company controlled by the shareholders Mr Jaromír Tesař (which owns 62% of shares), Mr Petr Tesař (which owns 5% of shares) and Mr Jan Motlík (which owns 33% of shares). 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. EPTD is a parent company of Turkish entity “Bilsev Enerji Üretim ve Ticaret A.S.” which manages the project of Karakurt Dam and HPP construction.

EPTD is parent company in the following entity:

		EPTD’s ownership interest	
Name	**Location**	**30 June 2020**	**31 December 2019**
Bilsev Enerji Üretim VE Ticaret A.S.	Turkey	100%	100%

Bilsev Enerji Üretim VE Ticaret A.S. (“Bilsev”) is a joint stock company established on 3 November 2011 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

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. EPHD is a parent company of Turkish entity “Murat Nehri Enerji Üretim A.S.” which owns the project of Alpaslan II project - dam and HPP construction.

EPHD is parent company in the following entity:

		EPHD’s ownership interest	
Name	**Location**	**30 June 2020**	**31 December 2019**
Murat Nehri Enerji Üretim A.S.	Turkey	100%	100%

Murat Nehri Enerji Üretim A.S. (“Murat”) is a joint stock company established on 31 December 2015 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

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. As of the end of 2019, ENERGO-PRO Assets Turkey s.r.o. was a dormant entity.

[1] i.e. sister companies or group of companies that do not form part of the ENERGO – PRO a.s. Group and their shareholder is the entity DK Holding Investments, s.r.o. apart from Takedakodon, s.r.o. and Terestra-Bulgaria EOOD which are wholly owned by Mr. Jaromir Tesar.

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 parent company of Litostroj Power d.o.o. Group ("LP Group"), Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. and LITOSTROJ Holding US, and directly owns 100% of shares in these entities.

Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. ("LTT") 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. The company was created with the aim of establishing a local manufacturing facility in Turkey.

LITOSTROJ Holding U.S. INC. ("LTH US") is a joint stock company was established on 13 August 2019 in United States. The registered address of the company is 251 Little Falls Drive, Wilmington, County of New Castle, Delaware, 19808, United States. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

LTH US is parent company in the following entity:

		LTH US's ownership interest	
Name	**Location**	**30 June 2020**	**31 December 2019**
LITOSTROJ U.S. LLC.	United States	100%	100%

LITOSTROJ U.S. LLC. ("LT US") is a joint stock company was established on 20 August 2019 in United States. The registered address of the company is 641 South Lawrence Street, Montgomery, AL 36104, United States. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

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. The company is engaged in design, powerplant engineering and manufacturing of power generation and industrial equipment thought its own production capacity and R&D department.

- **Litostroj Engineering, a.s.** ("LE") 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. As at 1.1.2019, company changed its name from ČKD Blansko Engineering, a.s. to Litostroj Engineering, a.s. The company has its own hydraulic laboratory and continues the long tradition of Blansko in the research, development, supply and other services for the hydroelectric equipment.

- **Litostroj Hydro Inc.** ("LHI") is a limited liability company established in Canada. The registered address of the company is at Rue de Pacifiquie 45, Bromont, Quebec, Canada. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

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 15 August 2018 with registered address of Jl. Raya Karang Congok No. 8 Kel. Karang Satria, Indonesia. The company's main activity is investigation of the new hydropower project possibilities in the territory.

ENERGO-PRO Colombia SAS ("EP Colombia")

EP Colombia is a joint stock company established on 5 June 2019 with registered address of Carrera 13, No. 90-55, off. 202, Bogota, Colombia. The company's main activity is investigation of the new hydropower project possibilities in the territory.

ENERGO-PRO Swiss GmbH ("EP Swiss")

EP Swiss is a joint stock company established on 27 May 2019 with registered address of Zürcherstrasse 15, 5400 Baden, Switzerland. The company's main activity is providing hydro engineering consulting services.

Terestra-Bulgaria EOOD ("Terestra")

Terestra is a limited liability company established in 2002 under Bulgarian legislation. The registered capital of the company is EUR 2,556 (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. The company's main activities according to its Articles of Incorporation are the production of electricity from HPPs and other.

TAKEDAKODON, s.r.o. ("Takedakodon")

Takedakodon 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 interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") for the period of six months ended 30 June 2020 for ENERGO-PRO a.s. and its subsidiaries (together referred to as the "Group"). These consolidated interim financial statements have been prepared under the historical cost convention.

Management of the Group has complied with all standards and interpretations that are applicable to its activities and officially adopted for use by the EU at the date of preparation of these financial statements.

Going concern. The consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. The future viability of the Group depends upon the business environment.

The Management has no plans or intentions to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to apply the going concern basis in preparing its financial statements.

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.

As a result of the analysis, the Management has reasonable expectations that the Group has the necessary resources to continue its activities in the foreseeable future. For the effects and further evaluation of the management of COVID-19 pandemic please find the Note 22.

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 interim from the date on which control is transferred to the Group (acquisition date) and are deconsolidated interim 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.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net asset.

Business combinations between entities under common control are considered to be out of scope of IFRS 3. Also related contingent consideration from acquisitions under common control is considered to be out of scope of IFRS 3 and IAS 37 was applied to measurement and recognition of the contingent consideration.

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.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the equity, applying the economic entity approach. Purchases from minority interests result in gains and losses recorded in the equity, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

In May 2020, a non-controlling interest transaction was made, as the company EPV has acquired 49% of the equity of the company Berta from the ultimate parent company DKHI.

Investments in associate. The Group applies accounting for an associates according to IAS 28. The Group recognize an associate if is an entity over which an investor has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control), and investments in associates are, with limited exceptions, accounted with using of the equity method. Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

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 allowances for expected 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 gross 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.

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.

Impairment of financial assets carried at amortised cost. IFRS 9 sets out two approaches for recognition of expected credit losses:

The Group uses the expected credit loss model, according to which no impairment loss is required before credit losses are recognized.

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.

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.

Leases. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follow:

	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

If ownership of the leased asset transfers to The Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by The Group and payments of penalties for terminating the lease, if the lease term reflects The Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, The Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings and technical plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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 by the 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.

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.

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.

Provisions. Provisions are determined by the present value of expected costs to settle the obligation using a pre-tax rate that reflects the assessment of the current state of the market value of money and risks specific to the liability. Increases in allowance as a result of time are recognized as interest expense.

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.

As a reaction to the COVID 19 situation the Government of Georgia issued resolution N220 dated 3 April 2020 on the approval of the rules and conditions for subsidizing utility bills, the Government of Georgia released certain category of individuals, determined based on the certain threshold of electricity consumption for a respective period, from obligation to settle their electric power utility bills for March, April and May 2020 and have provided a cash compensation to the Group in respect of the amounts that would have otherwise be billed to the exempt customers. This arrangement falls outside the scope of IFRS 15 and is accounted in the Condensed Consolidated Interim Statement of Comprehensive Income in the line "Other income" in the period 1 January - 30 June 2020 in the total amount of GEL 31,244 thousand (EUR 9,354 thousand) while under normal circumstances these would be recorded in the line "Sales of electricity in local markets".

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); equity is translated at the historical rate; 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.

Rounding of amounts. All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

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.

IFRS 15 introduces the model of the 5 steps for revenue recognition, whereby the underlying principle is that revenue is recognized as a result of the transfer of the promised goods and services to the client to the extent that it reflects the remuneration, which the entity expects to have in return for those goods and services.

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 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.

Sales of other services are recognized when the service is rendered. The Group transfers control over the services over time and therefore satisfies the obligation to perform and recognizes revenue over time.

Connection fees - specified

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 recognise 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 Group recognizes immediately the revenues from the accession fees.

(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.

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.

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 IFRS 15, distribution companies of the Group who trade with electricity the contracts are concluded for grid components – transmission, access fee, and consider that they are acting as an agent.

(d) Revenue from customer contracts

Revenues are broken down into operating and financial revenues. Revenue from contracts with customers is recognized in the income statement on the basis of the provisions of the individual sales contract with the customer upon transfer of control of the product and service to the customer in an amount that reflects compensation for which the company and the group considers eligible for such products and services. .

A five-step model is used to recognize revenue from contracts with customers:

1. definition of the contract with the buyer,
2. definition of enforcement obligations in contracts,
3. determination of the transaction price,
4. the allocation of the transaction price to the enforcement obligations; and
5. recognition of revenue when the enforcement obligation is met.

Revenue is recognized when the company meets its enforcement obligation. This is when a company transfers control of a product or service to a customer. Control means that the customer can direct the use of the asset and receive all the significant benefits from the asset, and can also prevent others from using and receiving the benefit from the asset.

The transfer of control may occur at a particular time or period. For contracts that are performed over a longer period of time, revenue is recognized gradually over the period of performance but only if one of the following criteria is met:

- the buyer simultaneously accepts and consumes the benefits of the company's implementation during the implementation itself

- the enterprise's performance creates or increases an asset (eg work in progress) that the customer controls during the creation or expansion

- the performance of the enterprise does not create an asset that the enterprise can use for other purposes and the enterprise has a recoverable right to payment for the performance completed so far.

If, in accordance with the above provisions, individual contracts / projects meet the condition of a specific product and the company, in case of termination of the contract by the buyer, is entitled to payment for work performed, which includes a reasonable profit, revenue under contracts with customers is recognized gradually (over time).

Gradual recognition of revenue is carried out at the stage of completion. The input method, which is based on the costs actually incurred in relation to the estimated costs of completing the project, is used to measure completion.

In all other cases, revenue is recognized immediately, ie upon delivery of the product or services provided, which represent the fulfillment of an individual enforcement obligation. The enforcement obligation is linked to the fulfillment of a milestone, which represents the deadline for the delivery of equipment or services provided, set by the buyer / investor.

(e) 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.

(f Financial income under a corporate guarantee contract

The Group classifies its receivable under a contract for the provision of corporate guarantees as a financial asset because a company from the Group has become a party to a contractual arrangement and as a consequence has the legal right to receive cash. The financial income under the corporate guarantee agreement is rescheduled for the entire term of the contract and subsequently recognized in profit and loss proportionally over time.

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.

a) 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.

b) 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.

Performance Measures of the Group. In order to ensure a fair presentation of the Group's operations, the Group uses Performance measures of the Group that are not defined in IFRS or in the Local Accounting GAAPs. The Performance measures of the Group are described below, including their definitions and how they are calculated. The Performance measures of the Group used are unchanged compared with earlier periods.

a) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA is specified as a non-gaap measure in these interim financial statements (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 minues certain operating expenses, as shown in Consolidated interim Statement of 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.

a) Grid access fee provision

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.

b) 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.

Determining the useful life of PPE. The Management reviews the useful life of tangible and intangible assets and its potential increase or decrease based on regular observations and assessments carried out by the technical team.

Retirement benefit obligations. The present value of the retirement benefit obligations in income depends on several factors, which are defined on the basis of actuarial valuation, using different assessments such as number of salaries defined in Collective labour agreement, their increase and other. Estimates used to determine the net expense/ (income) for the benefits at retirement include the discount factor.

Any change in these estimates will affect the carrying amount of retirement benefits obligations. At the end of each year, the Group determines appropriate discount factor. This the interest rate should be used to determine the present value of estimated future outflows needed to meet the obligations of such benefits.
In determining the appropriate discount factor, the Group takes into account the rate of government bonds (GB) with 10-year maturity, issued by the local govermnments, denominated in the currency in which the income would be paid and terms to maturity similar to the terms of the obligations under the pension income. Since the average retirement term is longer than 10 year, the actuary provides an extrapolation of the data for the effective annual benefit of government bonds.

Leases. Determining the lease term of contracts with renewal and termination options – the Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted in preparation of the interim financial statements as at June 30, 2020 are consistent with those of the previous financial year.

As of January 1, 2020 the Group did not adopt any international financial reporting standard or interpretation that would have significant impact to the Condensed Consolidated interim financial statements for 6 months ended 30 June 2020.

5. Prior period 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 affected the statements of profit or loss and other comprehensive income for the period ended 30 June 2019 to conform to the presentation as at 30 June 2020.

Management has identified and made reclassifications in respect of the following line items of the statements of profit or loss:

(EUR '000)	As reported for the 6 month period ended 30-Jun-19	Effect of reclassification	As reclassified for the 6 month period ended 30-Jun-19	Reference
Sales of electricity in local markets	308,258	(8,566)	299,692	**A**
Purchased power	(241,361)	8,566	(232,795)	**A**

A. In relation to the application of IFRS 15, The company EPV has reviewed the contracts relating to IBEX regulation and determined that it is acting as an agent with respect to these items. The restated figures in the Consolidated statement of the comprehensive income for the 6 months ended 30 June 2019 report revenue and (costs) for sale of electricity in local markets. The restatement had an impact on Sales of electricity on local markets and Purchased Power in the amount of EUR 8,566 thousand.

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.

As disclosed in Note 12, in May 2020, the company EPV has acquired 49% of the equity of the company Berta (related party of EPV) from DKHI (ultimate parent company of EPV).

At 30 June 2020, the outstanding balances with related parties were as follows:

(EUR'000)	Shareholders	Entities under common control*
Current portion of issued loans	-	6
Non-current portion of issued loans	272,845	17,704
Non-current financial fixed assets	-	12,094
Trade and other receivables	398	48,049
Other current assets	-	1,331
Other non-current liabilities	-	5,710
Trade and other payables	-	(179)
Other current liabilities	-	2,486
Investment in associate	-	27,000

The income and expense items with related parties for the period ended 30 June 2020 were as follows:

(EUR'000)	Shareholders	Entities under common control*
Sales of electricity in local markets	-	233
Sales - services and other	-	38,528
Other Income	-	116
Services expenses	-	(6)
Materials expenses	-	1,059
Other operating expenses	-	41
Other financial income	-	1,315
Interest income	5,986	318
Interest costs	-	(4)

* Entities under common control – "Related parties" section – 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.

At 31 December 2019, the outstanding balances with related parties were as follows:

(EUR'000)	**Shareholders**	**Entities under common control***
Current portion of issued loans	-	4
Non-current portion of issued loans	248,338	17,907
Non-current financial fixed assets	-	12,094
Other non-current assets	-	-
Trade and other receivables	418	58,132
Other current assets	-	2,479
Other non-current liabilities	-	6,427
Trade and other payables	-	(1,500)
Other current liabilities	-	2,504
Advance payments for investments acquisition	27,000	-

The income and expense items with related parties for the period ended 30 June 2019 were as follows:

(EUR'000)	**Shareholders**	**Entities under common control***
Sales of electricity in local markets	-	131
Sales - services and other	-	15,771
Other Income	-	148
Services expenses	-	19
Other operating expenses	-	119
Interest income	5,449	1,286
Interest costs	-	51

* Entities under common control – "Related parties" section – 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	Right of use	Other fixed assets	Total
Net book value							
31 December 2019	**54,313**	**368,921**	**8,358**	**34,552**	**2,470**	**10,959**	**479,573**
30 June 2020	**50,125**	**348,500**	**7,452**	**38,905**	**5,638**	**10,134**	**460,754**

8. Goodwill

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

(EUR'000)	31 Dec 2019	Acquisitions/Disposals	Exchange differences	Impairment loss	30 Jun 2020
OPPA	5,836	-	-	-	5,836
EPG	441	-	(30)	-	411
EPB	24,862	-	-	-	24,862
RH	9,020	-	(1,237)	-	7,783
EPGG	21,486	-	(1,478)	-	20,008
Total carrying amount of goodwill	**61,645**	**-**	**(2,745)**	**-**	**58,900**

For the period ended on 30 June 2020 no significant changes in Group's operating activity leading to impairment indications of goodwill arose.

9. Intangible Assets

Movements in the intangible assests were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Net book value						
31 December 2019	**34,578**	**2,224**	**158**	**88**	**638**	**37,686**
30 June 2020	**30,489**	**2,185**	**62**	**11**	**641**	**33,388**

According to the provisions of IAS 36 Impairment of assets 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.

10. Issued Loans

(EUR'000)	30 Jun 2020	31 Dec 2019
Non-current portion of issued loans:		
Shareholders - DKHI	272,845	248,338
ENERGO-PRO Industries, s.r.o.	7,799	7,665
ENERGO-PRO MVE, s.r.o.	9,906	10,240
Other	41	2
Total non-current portion of issued loans	**290,591**	**266,245**
Current portion of issued loans:		
ENERGO-PRO Industries, s.r.o.	2	3
Terestra Bulgaria	204	199
Taurus Konsult EOOD	380	370
Other	110	107
Total current portion of issued loans	**696**	**679**
Total issued loans	**291,287**	**266,924**

11. Non-current Financial Assets

(EUR'000)	30 Jun 2020	31 Dec 2019
Restricted bank deposit (i)	727	1,713
Receivable from Bilsev for corporate guarantee fee (ii)	12,408	12,094
Other	595	227
Total non-current financial assets	**13,730**	**14,034**

(i) The bank deposits of RH and EP Toptan as at 31 December 2019 are pledged for guarantee letters given to electricity distribution companies, to Energy Market Regulatory Authority (''EMRA'') and to the banks.

(ii) EPas is a guarantor of a loan dated June 29, 2016 between Bilsev and AKBANK Tic A.S. ("Akbank") in the amount of USD 141,000 thousand. EPas is entitled to receive a guarantee fee of 2% p.a. of the guaranteed loan amount.

On 18 February 2019, EPas signed Amended Finance Documents with respect to this facility. According to Amended Finance Documents, the total amount that may be claimed under the EPas guarantee is limited to USD 50,000 thousand.

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.

12. Investments in associate

(EUR'000)	30 June 2020	31 Dec 2019
Purchase of 49% of the shares of Berta (i)	27,000	-
Total investments in associate	**27,000**	**-**

Advance payments for investments acquisition

(EUR'000)	30 June 2020	31 Dec 2019
Advance payment for purchase of 49% of the shares of Berta (i)	-	27,000
Total advance payments for investments acquisition	**-**	**27,000**

(i) In June 2017, EPV signed a contract for the purchase of 49% of the shares of Berta with DKHI (related party), in the amount of EUR 27,000 thousand (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.

On April 25, 2019, a license for electricity production was issued for a period of 49 years. On May 5, 2020, the Energy Market Regulatory Board of the Republic of Turkey approved the change in the capital structure of Berta. As both of the above conditions were met in 2020, in May 2020, the EPV acquired 49% of Berta's capital and the advance payment in the interim financial statements as of June 30, 2020 is presented as an investment in associate.

13. Inventories

(EUR'000)	30 Jun 2020	31 Dec 2019
Prepayments for inventories	10,435	9,874
Electrical equipment	3,840	3,500
Cables and wires	2,878	3,166
Spare parts	1,036	1,198
Tools and bolts	985	1,041
Inventory related to Paybox Installation	756	905
Scrap & Damaged Inventory	497	722
Other	2,812	2,942
Less: provision for obsolete and slow-moving inventories	-	-
Total inventories	**23,239**	**23,348**

14. Trade and Other Receivables

(EUR'000)	30 Jun 2020	31 Dec 2019
Distribution to households	26,677	45,632
Distribution to commercial sector	80,496	76,033
Receivables from export sales	1,843	1,979
Receivables from transmission	2,730	5,435
Rent deposit	79	82
Other trade receivables	3,398	4,467
Less: provision for impairment	(18,835)	(17,955)
Total trade receivables	**96,388**	**115,673**
Assets under contracts with customers	27,162	35,943
Guarantee deposits	3,023	2,767
Deposits granted	468	1,857
Restricted bank deposit	309	84
Other	1,090	299
Total trade and other receivables	**128,440**	**156,623**

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

(EUR'000)	1H 2020	2019
Provision for impairment at the beginning of the period	**17,955**	**15,505**
Impairment charge	2,008	5,309
Reversal of impairment during the year	(827)	(2,801)
Amounts written off during the year as uncollectible	-	153
Exchange rate difference	(301)	(211)
Provision for impairment at the end of the period	**18,835**	**17,955**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	30 Jun 2020	31 Dec 2019
Total neither past due not impaired:	**84,273**	**108,285**
Past due but not impaired		
- less than 30 days overdue	7,456	2,773
- 31 to 90 days overdue	1,165	782
- 91 to 180 days overdue	770	879
- over 181 days overdue	2,960	3,251
Total past due not impaired	**12,351**	**7,685**
Past due and impaired		
- current and impaired	1,838	1,762
- less than 30 days overdue	193	702
- 31 to 90 days overdue	866	934
- 91 to 180 days overdue	1,146	843
- over 181 days overdue	14,556	13,417
Total past due and impaired	**18,599**	**17,658**
Less: provision for impairment	(18,835)	(17,955)
Total current trade receivables, net	**96,388**	**115,673**

15. Other Current Assets

(EUR'000)	30 Jun 2020	31 Dec 2019
VAT receivables	7,305	7,959
Advance payments	7,870	5,914
Prepaid insurance	1,263	737
Deferred value-added tax	297	166
Other	1,334	727
Total other current assets	**18,069**	**15,503**

16. Current and Non-current Provisions

Analysis of the provisions:

(EUR'000)	30 Jun 2020	31 Dec 2019
Non-current:		
Grid access fee provision (a)	5,172	5,308
Retirement benefits (d)	3,355	3,323
Other non-current provisions (c)	228	209
Total non-current provisions	**8,755**	**8,840**
Current:		
Legal claims (b)	1,991	5,167
Energy effectiveness (e)	746	746
Retirement benefits (d)	682	673
Other (c)	364	697
Total non-current provisions	**3,783**	**7,283**
Total provisions	**12,538**	**16,123**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Energy effectiveness	Retirement benefits	Other	Total
At 1 January 2019	**5,698**	**9,385**	**5**	**2,892**	**820**	**18,800**
Paid	-	(170)	-	(187)	(304)	(661)
Accrued	-	1,689	746	302	719	3,456
Financial expense	(156)	-	-	-	-	(156)
Reversed	(234)	(5,732)	(5)	-	(245)	(6,216)
Actuarial loss/ (profit)	-	-	-	932	-	932
Difference in rate of exchange	-	(5)	-	(18)	(9)	(32)
At 31 December 2019	**5,308**	**5,167**	**746**	**3,921**	**981**	**16,123**

(EUR'000)	Grid access fee	Legal claims	Energy effectiveness	Retirement benefits	Other	Total
At 1 January 2020	**5,308**	**5,167**	**746**	**3,921**	**981**	**16,123**
Paid	-	(44)	-	(110)	(390)	(544)
Accrued	-	162	-	174	109	445
Financial expense	4	-	-	-	-	4
Reversed	(141)	(3,287)	(1)		(2)	(3,431)
Actuarial loss/ (profit)	-	-	-	-	-	-
Difference in rate of exchange	1	(7)	1	52	(106)	(59)
At 30 June 2020	**5,172**	**1,991**	**746**	**4,037**	**592**	**12,538**

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 taking into account the estimated value of the respective assets and the electricity consumption of the supplied customers. The Group 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 Group's losing legal claims. The Group 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 the 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, and statutory interest. In February 2019, High Court of Appeal issued a final decision in favour of the Group based in which the provision, together interest as at December 31, 2018 in the amount of EUR 1,528 thousand, was fully released.

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

The Group considers that as at June 30, 2020, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 1,991 thousand.

(c) Provision for energy effectiveness

As of June 30, 2020 and December 31, 2019, the two companies of the EPV 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.

In 2019, the Management of the companies evaluated the implementation of the set individual and cumulative energy savings targets.

Key assumptions used to calculate energy efficiency provisions:

- for energy quantities for energy savings - certificates of energy savings and specialized methodologies for energy savings assessment, received by the Council of Ministers and the Minister of Energy;

- for the cost of energy savings - tenders received from three independent suppliers, cost of energy savings measures carried out on their own efforts and contracts concluded.

(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 and imposed a pecuniary penalty of EUR 7,378 thousand (BGN 14,423 thousand) in connection with violation of Article 21 of the CPA, 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.

- Provisions for EWRC penalties and the National Construction Control Directorate (NCCD)

In January 2018 a company of the Group was served 2 PD amounting to EUR 3.1 million, in connection with the established violation of the provisions of Article 13, item 6 of the General Conditions of Access and Transmission of Electricity through the Electricity Distribution Network of the company, approved by Decision No OU-060/ 07.11.2007 of SEWRC. The Group considers the amount of the sanction to be excessive and for this reason it has been partially provisioned to EUR 1 million.

In December 2018, the Court of Cassation amended the PD issued by the EWRC as on the grounds of Article 206, Paragraph 1 of the Energy Act, imposed a pecuniary sanction on the Group in the amount of EUR 10,226. The decision is final, and the penalty is paid. As the Management considers that the outcome of the lawsuit for the second PD will be in favour of the company, part of the provision is released to the amount of the administrative sanction of EUR 10,226.

In November 2019, Shumen Administrative Court issued a final decision confirming the amount of the Group's property sanction of EUR 10,226. Based on the decision, the provision is fully released. In August 2018 a company from the Group was served a PD amounting to EUR 2.6 thousand, issued by NCCD. In February 2019 the Administrative Court of Silistra finally confirmed the amount of the sanction. Based on the decision, the Group company paid the PD in February 2019.

- Provision for unused paid leaves

Amounts represent the Group obligation as an employer for unused days of paid annual leave and include salary and social security and health insurance. The Group estimated the expected cost of accumulating compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accrued to the balance sheet date.

e) Retirement benefits

- Benefits at retirement for illness

Amounts represent Group'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:

	2020	2019
Discount rate	1.0%	1.0%
Future salary increases	0.0%	0.0%

Rates of employee turnover and early illness retirement

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 the previous years. Based on research experience and Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal.

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%

In the actuary model are determined early illness degrees, defined based on statistics from National Center of Health Information.

Demographic assumptions about the future characteristics of employees

Mortality assumptions are prepared on basis of National Statistical Institute data on the total mortality of population for the period 2015 – 2017.

- Interest rate for determining the discount factor

For the purpose of discounting is used effective annual interest rate in the amount of 0.60 % (2019 1.00 %). 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, following 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.

17. Current and Non-current 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 2019 and as of 30 June 2020.

(EUR'000)	30 Jun 2020	31 Dec 2019
Non-current portion of borrowings:		
Issued Bonds (i)	625,201	622,606
VTB Bank Georgia	585	-
Other	51	-
Total non-current portion of borrowings	**625,837**	**622,606**
Current portion of borrowings:		
Sberbank CZ, a.s. (ii)	7,900	6,500
Raiffeisenbank EAD (iii)	3,487	7,330
DSK Bank EAD	1,638	1,963
Other	11	31
Total current portion of borrowings	**13,036**	**15,824**
Total borrowings	**638,873**	**638,430**

The EP 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

Issued Bonds	30 Jun 2020	31 Dec 2019
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	8,353	974
Unrealised costs	(3,227)	(3,831)
Carrying amount of 4% Notes due 2022	**375,126**	**367,143**
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	1,757	7,428
Unrealised costs	(1,682)	(1,965)
Carrying amount of 4.5% Notes due 2024	**250,075**	**255,463**
Total carrying amount of issued bonds	**625,201**	**622,606**

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 4.38%. The carrying value of these bonds as at 30 June 2020 was EUR 375,126 thousand (EUR 367,143 thousand as at 31 December 2019).

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 4.74%. The carrying value of these bonds as at 30 June 2020 was EUR 250,075 thousand (EUR 255,463 thousand as at 31 December 2019).

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).

(ii) Sberbank CZ, a.s. (EPas)

Lender	Original currency	Facility type	Outstanding balance as at 30 June 2020 (EUR ´000)	Final maturity Date
Sberbank CZ, a.s.	EUR	Revolving credit facility	7,900	6-February-2021

On 11 December 2018, EPas and Sberbank CZ, a.s. signed a revolving credit facility agreement with respect to a EUR 10,000 thousand loan. The facility was provided for general corporate purposes.

In April 2020, the amount of the facility was increased from EUR 10,000 thousand to EUR 12,000 thousand.

(iii) Raiffeisenbank EAD (EPV)

Lender	Original currency	Facility type	Outstanding balance as at 30 June 2020 (EUR ´000)	Final maturity Date
Raiffeisenbank EAD	BGN	Revolving credit facility	3,487	21-December-2020

On 19 December 2019, EPES and Raiffeisenbank EAD signed a facility agreement with respect to a BGN 30,000 thousand loan. The facility was provided for general corporate purposes.

18. Finance Costs – Net

(EUR'000)	1H2020	1H2019
Interest expenses bonds	(13,624)	(14,051)
Prolongation fees on factored payables	(1,871)	(407)
Other finance costs	(321)	(137)
Fee from loans and other	(196)	(195)
Interest expense from bank borrowings	(190)	(238)
Interest expense on lease liabilities	(94)	(45)
Net foreign exchange losses	(27,290)	(10,334)
Finance costs	**(43,586)**	**(25,407)**
Interest income on issued loans	6,312	6,032
Other financial income	1,592	1,006
Finance income	**7,904**	**7,038**
Net finance costs	**(35,682)**	**(18,369)**

19. 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 of the year 2020 at the earliest.

EPB

As at 30 June 2020, a legal claim for EUR 1,259 thousand related to liability - expenses for balancing power against the EPB was initiated from National Electricity Company EAD ("NEK EAD"). This claim is contested by the EPB. EPB initiated an arbitration claim against NEK EAD amounting to EUR 1,692 thousand for the price of electricity supplied for period April - May 2016.

EPB is a plaintiff in legal case for payment of EUR 266 thousand for water supply to NEK EAD for the period of April -May 2016. EPB is plaintiff in other legal court trade case with claims of financial interest amounting to EUR 84 thousand for unbalance costs as of 31 December.2019. In February 2020, the case was finally solved in favor of EPB.

EPB is plaintiff in 2 other administrative cases:

Against EWRC preferential price Ц-14/2019 decision;
Against EWRC decision SP-6/2019.

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 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 NEK EAD effected in 2000, the Companies from the EPV acquired certain land and buildings with insufficient ownership deeds. As at June 30, 2020 the EPV's net book value of such assets is EUR 967 thousand (as at December 31, 2019: EUR 1,372 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. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

EPG

In 2018, JSC Georgian Railway began dispute against EPG about errors identified by the EPG's management of revenue recognition under the electricity sale and purchase agreement between JSC Georgian Railway and the EPG dated 27 September 2011. Based on the terms of the contract, it was agreed that the tariff for JSC Georgian Railway should not be increased until 1 September 2016, irrespective of any tariff increase of GNERC. In July 2015, GNERC increased the tariffs for EPG. Respectively, starting from September 1, 2015, EPG presented invoices to JSC Georgian Railway including increased tariffs. In December 2018, EPG has annulled the incorrect invoices and presented the correct ones to JSC Georgian Railway. Respectively, EPG has restated its financial statements as of 31 December 2018. In May 2019 JSC Georgian Railway began to dispute against EPG about the interest in the amount of EUR 605 thousand. Based on the EPG's internal assessment it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these consolidated financial statements.

a) 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.

b) 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.

c) Contingent assets

RH
RH received guarantee letters amounting to EUR 230 thousand as of 31 December 2019 (31 December 2018: EUR 3.7 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

EP Insaat
EP Insaat received guarantee letters amounting to EUR 2.45 million as of 31 December 2019. Guarantee letters received are mainly related with supplier agreements.

d) Contingent liabilities

EPas guarantee Bilsev
EPas has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 141,000 thousand loan to Bilsev for the construction of the Karakurt dam and related HPP. as of 30 June 2020, USD 141,000 thousand was drawn under this facility.

On 18 February 2019, EPas signed Amended Finance Documents with respect to this facility. According to Amended Finance Documents, the total amount that may be claimed under the EPas guarantee is limited to USD 50,000 thousand.

EPas guarantee club of banks
EPas has issued a guarantee in favour of a club of banks in connection with a EUR 3,000 thousand revolving facility for Litostroj Power, d.o.o.. The guarantee is for 100% of the drawn amount as of 30 June 2020.

EPas guarantee LE
EPas has issued a guarantee in favour of Komercni banka a.s. in connection with a EUR 787 thousand (CZK 20,000 thousand) revolving facility for Litostroj Engineering a.s. The guarantee is for 100% of the drawn amount as of 30 June 2020.

EPV
Unicredit Bulbank AD has issued in name of EPT a bank guarantee to various subjects (IBEX EAD, ESO EAD) in the amount EUR 2,262 thousand as of 30 June 2020

RH
RH issued guarantee letters amounting to EUR 705 thousand at 30 June 2020 (31 December 2019: EUR 1,669 thousand). Guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions.

EP Toptan
EP Toptan issued guarantee letters amounting to EUR 3,197 thousand at 30 June 2020 (31 December 2019: EUR 3,290 thousand). Guarantee letters issued are mainly given to State Hydraulic Works, Tax Authority and TEİAŞ.

EPG
On 5 February 2019, EPG has issued a non-cash cover guarantee, which amounts to USD 100 thousand as at 30 June 2020 (31 December 2019: USD 100 thousand). Cash cover guarantee for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export - Import").

f) 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.

The Management has assessed the fair value of energy facilities, which are owned by consumers, which as at June 30, 2020, amounted to EUR 12,913 thousand (December 31, 2019: EUR 13,977 thousand). The Management is unable to predict when energy facilities that are not redeemed by June 30, 2020 will be purchased.

As at December 31, 2020 a company from the EPV has entered into connection agreements for 118 connection facilities (December 31, 2018: 118 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 2018 - 2019 is EUR 20 thousand (2017 - 2018: EUR 16 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 and 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 30 June 2020, and 31 December 2019, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

EPB
In February 2019, EPB 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 January 2024 and cannot be terminated except in violation of its provisions by one of the parties.

Annual payments under this contract is as follow:

EUR ‘000	**Up to 1 year**	**between 2 and 5 years**
Total annual rent	27	81

To secure the obligations of renting amount, EPB issued in favour of the landlord a cash deposit of a total value of EUR 12 thousand as of 30 June 2020 (31 December 2019: EUR 12 thousand).

EPV

1. In November 2014, a company from the EPV has entered into a lease agreement for offices in Varna. The rental price varies in different periods. In December 2024, 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:

EUR '000	Up to 1 year	between 2 and 5 years
Total annual rent	567	1,700

As at June 30, 2020, to secure the obligations of renting amount, EPV issued in favor of the landlord a bank guarantee of a total value of EUR 120 thousand (31 December 2019: EUR 120 thousand).

2. In November 2018, two companies from the 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:

EUR '000	Up to 1 year	between 2 and 5 years
Total annual rent	167	330

As at June 30, 2020, secure the obligations of renting amount, two companies from the Group issued in favour of the landlord bank guarantees of a total value of EUR 59 thousand.

20. 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 minimise 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). 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 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 programme.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, 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.

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 did not use in 2019 and six months of year 2020 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.

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 timea 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. 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.

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.

21. 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. 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 (except Issued bonds);
• 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 30 June 2020, are as follows

(EUR'000)	**Carrying amount**	**Fair Value**	Interest	**Total Fair Value**
4% Notes due 2022	375,126	356,701	8,353	**365,054**
4.5% Notes due 2024	250,075	238,153	1,757	**239,910**
Total	**625,201**	**594,854**	**10,110**	**604,964**

Carrying amounts and estimated fair values of financial instruments as at 31 December 2019, are as follows:

(EUR'000)	**Carrying amount**	**Fair Value**	Interest	**Total Fair Value**
4% Notes due 2022	367,143	385,032	974	**386,006**
4.5% Notes due 2024	255,463	255,693	7,428	**263,121**
Total	**622,606**	**640,725**	**8,402**	**649,127**

ENERGO-PRO

22. Events after the reporting period

a) Management Assessment of the Impact of COVID-19 pandemic as of August 2020

Situation overview and outlook

In March 2020 the World Health Organization confirmed the novel coronavirus ("COVID-19") as a global pandemic. The Management has performed an assessment of the current situation with respect to COVID-19 pandemic across the countries in which ENERGO-PRO Group operates, as well as the ways in which it could affect the performance of the business. Due to the nature of ENERGO-PRO Group's business, the impact of COVID-19 pandemic on ENERGO-PRO Group's operations has been relatively limited so far.

Due to the nature of ENERGO-PRO Group's business, the impact of COVID-19 pandemic on ENERGO-PRO Group's operations has been relatively limited so far. The distribution and supply segment were impacted by lower consumption, lower free market prices of electricity, and decrease in demand for new connections. Results of the generation segment in Georgia and Bulgaria were not materially affected by COVID-19 as the entire 2020 production in Georgia and the 1st half of 2020 production in Bulgaria were sold in advance. In Turkey, most of the generation is sold under YEKDEM.

The response of the relevant governments to the COVID-19 pandemic has not been uniform but the situations across the countries in which we operate has largely normalized by now. We expect that another increase in COVID-19 infections is likely and government response to such increase is difficult to predict. Should strict government-mandated lockdowns and similar measures be implemented again it would likely result in further substantial decline in economic activity and related consequences.

Management's mitigation measures taken

The Management continues to monitor the situation very closely and will take any measures required in order to mitigate the impact of COVID-19 on the Group's liquidity. In order to conserve cash, our operating subsidiaries have already reviewed their planned capex spending in 2020 and reduced it where possible.

These consolidated interim financial statements were approved for issue and signed on behalf of the Board of Directors and the Group's Management on 11 September 2020.

Mr. Jaromír Tesař
Chairman of the Board of Directors
ENERGO-PRO a.s.

Mr. Vlastimil Ouřada
Finance Director
ENERGO-PRO a.s.