DK Holding Investments, s.r.o.

Annual Report 2019

The consolidated annual report has been prepared for the year ended 31 December 2019 for the company DK Holding Investments, s.r.o. and its subsidiaries (together referred to as the “Group”).

BUSINESS DESCRIPTION

DK Holding Investments, s.r.o.:

- limited liability company
- established on 16 December 2015
- registered address Na poříčí 1079/3a, Nové Město, 110 00, Praha 1, Czech Republic
- identification number 04645740
- the main activity is holding shares in its subsidiary companies listed in detail in the chapter 1 of the Notes to the Consolidated Financial Statements

MANAGEMENT

As at 31 December 2019 the company DK Holding Investments, s.r.o. is represented by the Manager, Mr. Jaromir Tesar. The subsidiary companies within the Group are managed by its legal bodies according to the legal form of the entity and the local legislation.

CURRENT YEAR RESULTS

The Group have achieved a satisfactory financial result in 2019. In the following years, the Group will continue to maintain a steady trend and remain strict in cost controlling costs and overseeing its investments.

RESPONSIBILITIES OF THE MANAGEMENT

The Management confirms that appropriate accounting policies have been used and applied consistently and that reasonable and prudent judgements and valuation of assets, liabilities, revenues and expenses have been made in the preparation of the consolidated financial statements for the year ended 31 December 2019. The Management also confirms that applicable accounting standards have been followed.

EVENTS AFTER THE REPORTING PERIOD

EPV
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. Both companies are 100% owned by EPV.

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.

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

EPas
In April 2020, EPas and Sberbank CZ, a.s. signed an amendment to a revolving credit facility agreement with respect to increase of the amount of the facility from EUR 10,000 thousand to EUR 12,000 thousand.

RESEARCH AND DEVELOPMENT

The Group does not perform research and development activities.

ENVIROMENTAL PROTECTION

The Group makes significant efforts in health protection for its employees and environmental protection. Currently, the Group complies with all environmental protection standards set for this type of business. The companies within the Group are periodically monitored for compliance with the environmental standards of the countries in which it operates.

LABOUR RELATIONS

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

In Prague on 30 June 2020

Company Executive Director
Mr. Jaromir Tesar

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of DK Holding Investments, s.r.o.:

Opinion

We have audited the accompanying consolidated financial statements of DK Holding Investments, s.r.o., and its controlled undertakings ("the Company"; together with controlled undertakings "the Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company and the Group, see Note 1 and Note 2 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Matter

The consolidated financial statements of DK Holding Investments, s.r.o.for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 21 June 2019.

Other Information

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

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

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

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

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

Responsibilities of the Company's Statutory Representative for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Representative.

- Conclude on the appropriateness of the Statutory Representative' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Jiří Křepelka, Auditor
License No. 2163

2 July 2020
Prague, Czech Republic

DK Holding Investments, s.r.o.

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

For the period ended 31 December 2019

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CONSOLIDATED FINANCIAL STATEMENTS

DK Holding Investments, s.r.o.
Consolidated Statement of Financial Position
For the period ended 31 December 2019

(EUR'000)	Note	31 Dec 2019	31 Dec 2018 Restated	01 Jan 2018 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	7	978,764	770,965	710,445
Prepayments for property, plant and equipment		13,726	18,192	29,946
Goodwill	8	75,230	77,158	80,239
Other intangible assets	9	39,914	49,198	63,711
Non-current financial assets	11	8,040	1,514	2,639
Deferred tax assets	28	6,158	6,018	1,742
Non-current portion of issued loans	10	1,900	283	35
Other non-current assets	16	37,779	22,643	29,659
Total non-current assets		**1,161,511**	**945,971**	**918,416**
Current assets				
Inventories	12	42,189	30,446	32,570
Trade and other receivables	13	113,629	133,344	133,966
Current income tax asset		4,141	3,824	1,252
Current portion of issued loans	10	712	943	2,223
Contract assets		20,279	17,152	17,636
Cash and cash equivalents	14	133,182	55,872	64,608
Other current assets	15	40,186	39,527	50,033
Total current assets		**354,318**	**281,108**	**302,288**
Total assets		**1,515,829**	**1,227,079**	**1,220,704**
EQUITY				
Authorised share capital	16	7	7	7
Additional paid-in capital		190,000	190,000	190,000
Translation reserve		(150,668)	(119,526)	(85,868)
Retained earnings	17	21,346	(8,261)	(22,849)
Equity attributable to the company's owners		**60,685**	**62,220**	**81,290**
Non-controlling interest		24,054	21,582	18,311
Total equity		**84,739**	**83,802**	**99,601**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	28	8,975	5,405	8,068
Provisions	20	13,571	11,689	13,179
Borrowings	21	953,673	733,858	581,865
Non-current financial liabilities	18	1,447	41	130
Other non-current liabilities	19	11,979	14,074	57,062
Total non-current liabilities		**989,645**	**765,067**	**660,304**
Current liabilities				
Provisions	20	9,500	12,919	16,351
Trade and other payables	22	127,184	118,662	103,972
Income tax payable		941	1,135	4,573
Borrowings	21	47,813	15,798	91,202
Contract liabilities		42,005	22,620	27,355
Other liabilities to shareholder	23	199,195	188,038	195,743
Other current liabilities	23	14,807	19,038	21,603
Total current liabilities		**441,445**	**378,210**	**460,799**
Total liabilities		**1,431,090**	**1,143,277**	**1,121,103**
TOTAL LIABILITIES AND EQUITY		**1,515,829**	**1,227,079**	**1,220,704**

Approved for issue and signed on behalf of the Company by Executive Director on 30.6.2020.

(EUR'000)	**Note**	**2019**	**2018 Restated**
Revenue			
Sales of electricity in local markets		609,478	637,610
Cross border sales of electricity		419	36,840
Grid components of electricity sales price		110,732	105,338
Services and other		73,615	75,747
Total revenue		**794,244**	**855,535**
Other income	27	12,419	7,452
Changes in inventory of products and in work in progress		362	(2,233)
Capitalized own products and own services		1,562	12,546
Purchased power		(461,798)	(509,678)
Service expenses	24	(76,931)	(101,615)
Labour costs		(88,059)	(85,705)
Material expenses		(23,451)	(19,279)
Tax expenses		(4,272)	(4,002)
Other operating expenses	25	(18,637)	(22,216)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA) [1]		**135,350**	**130,805**
Depreciation and amortisation expense	7,9	(56,879)	(50,766)
Earnings before financial expenses and taxes (EBIT)		**79,471**	**80,039**
Finance income	26	2,167	2,996
Finance costs	26	(37,462)	(110,667)
Finance costs – net		**(35,295)**	**(107,671)**
Income before income tax (EBT)		**43,176**	**(27,632)**
Income tax	28	(6,491)	(7,147)
Deferred taxes	28	(2,857)	7,297
Total income tax expense		**(9,348)**	**150**
Profit/(loss) for the year		**33,828**	**(27,482)**
Profit/(loss) attributable to:			
- Owners of the company		31,305	(29,007)
- Non-controlling interest		2,523	1,525
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(32,275)	(33,596)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		(1,039)	26
Tax effect		-	-
Net amount		(1,039)	26
Other comprehensive income/(loss)		**(33,314)**	**(33,570)**
Total comprehensive income/(loss)		**514**	**(61,052)**
Total comprehensive income attributable to:			
- Owners of the company		(1,958)	(62,574)
- Non-controlling interest		2,472	1,522

Approved for issue and signed on behalf of the Company by Executive Director on 30.6.2020.

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

DK Holding Investments, s.r.o.
Consolidated Statement of Changes in Equity
For the period ended 31 December 2019

(EUR'000)	Note	Authorised ("Unpaid") share capital	Additional paid-in capital	Translation reserve	Retained earnings & Other reserves	Total equity without non-controlling interest	Non-controlling interest	Total equity
		Equity attributable to the company's owners						
01 January 2018		**7**	**190,000**	**(86,069)**	**(21,517)**	**82,421**	**18,311**	**100,732**
Effect of restatement and reclassifications	5	-	-	201	(1,332)	(1,131)	-	(1,131)
01 January 2018 Restated		**7**	**190,000**	**(85,868)**	**(22,849)**	**81,290**	**18,311**	**99,601**
Effect of adoption of new accounting standards		-	-	-	21,586	21,586	1,749	23,335
01 January 2018 Restated		**7**	**190,000**	**(85,868)**	**(1,263)**	**102,876**	**20,060**	**122,936**
Net income for the period		-	-	-	(29,007)	(29,007)	1,525	(27,482)
Other comprehensive income		-	-	(33,596)	29	(33,567)	(3)	(33,570)
Comprehensive income for the period		-	-	(33,596)	(28,978)	(62,574)	1,522	(61,052)
Capitalisation of liabilities	17	-	-	-	21,978	21,978	-	21,978
Other changes in equity		-	-	(62)	2	(60)	-	(60)
31 December 2018 Restated		**7**	**190,000**	**(119,526)**	**(8,261)**	**62,220**	**21,582**	**83,802**

(EUR'000)	Note	Authorised ("Unpaid") share capital	Additional paid-in capital	Translation reserve	Retained earnings & Other reserves	Total equity without non-controlling interest	Non-controlling interest	Total equity
01 January 2019		**7**	**190,000**	**(119,526)**	**(8,261)**	**62,220**	**21,582**	**83,802**
Net income for the period		-	-	-	31,305	31,305	2,523	33,828
Other comprehensive income		-	-	(32,275)	(988)	(33,263)	(51)	(33,314)
Comprehensive income for the period		-	-	(32,275)	30,317	(1,958)	2,472	514
Other changes in equity		-	-	1,133	(710)	423	-	423
31 December 2019		**7**	**190,000**	**(150,668)**	**21,346**	**60,685**	**24,054**	**84,739**

Approved for issue and signed on behalf of the Company by Executive Director on 30.6.2020.

DK Holding Investments, s.r.o.
Consolidated Statement of Cash Flow
For the period ended 31 December 2019

(EUR'000)	**Note**	**2019**	**2018 Restated**
Profit/(loss) before income tax		**43,176**	**(27,632)**
Adjusted for:			
Depreciation and amortization expense	7,9	56,879	50,766
Unrealised currency translation losses/(gains)		(587)	44,342
Interest income	26	(27)	(151)
Interest and early payment expenses	26	33,225	56,279
Changes in provisions and impairment		1,092	1,244
Write-off of trade and other receivables		-	809
Assets granted free of charge		-	(132)
Inventory surplus		(3,553)	77
(Gain)/Loss on disposal of property, plant and equipment		2,824	2,271
Inventory obsolescence expense		-	1,119
Other changes - difference in rate of exchange etc.		3,321	7,861
Cash inflow from operating activities before changes in operating assets and liabilities		**136,350**	**136,853**
Movements in working capital			
Decrease/(increase) in inventories	12	(15,628)	9,592
Decrease/(increase) in trade accounts receivable	13	8,972	(21,100)
Decrease/(increase) in other current assets	15	(19,092)	18,094
Increase/(decrease) in trade and other payables	22	26,950	14,221
Increase/(decrease) in other liabilities	23	(5,135)	4,528
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**132,418**	**162,188**
Interest received		-	301
Income tax paid		(6,386)	(12,301)
Net cash (outflow)/inflow from operating activities		**126,032**	**150,188**
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	(262,876)	(166,250)
Proceeds from sale of property plant and equipment		-	72
Loans granted	10	(2,132)	(1,676)
Loans repaid	10	926	1,612
Net change in deposits granted	13	(5,587)	(4,109)
Acquisition of financial investment		(1,187)	-
Net cash outflow from investing activities		**(270,856)**	**(170,351)**
Cash flows from financing activities			
Proceeds from borrowings	21	505,404	141,795
Repayment of borrowings	21	(249,456)	(361,315)
Issued bonds	21	-	250,000
Interest paid		(35,055)	(19,053)
Dividends paid to non-controlling interest		´-	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		**220,893**	**11,427**
Net increase/(decrease) in cash and cash equivalents		**76,068**	**(8,736)**
Cash and cash equivalents at the beginning of the year	14	**55,872**	**64,608**
Effect of exchange rate on changes on Cash and Cash equivalents		1,242	-
Cash and cash equivalents at the end of the year	14	**133,182**	**55,872**
Restricted cash	14	99,576	-

Approved for issue and signed on behalf of the Company by Executive Director on 26.6.2020.

Notes to Consolidated Financial Statements

1. DK Holding Investments, s.r.o. Group and its Operations

DK Holding Investments, s.r.o. ("the Company", "DKHI", "DKHI Group") is a limited liability company established on 16 December 2015. The registered address of the Company is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the company is 04645740. The ultimate owner and the manager of the Company is Mr. Jaromir Tesar.

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

(i) ENERGO-PRO Industries, s.r.o. Group
(ii) ENERGO-PRO a.s. Group
(iii) Other subsidiaries of DKHI Group

The number of employees of the DKHI Group as of 31 December 2019 and 2018 was 9,754 and 9,623, respectively.

(i) ENERGO-PRO Industries, s.r.o. Group ("EPI Group")

ENERGO-PRO Industries, s.r.o. Group is organised and managed based on territory markets in which it operates (Czech Republic, Slovenia, Canada, Turkey and other territories) and is focused on two major segments – design and production of energy and industrial equipment.

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., Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. and LITOSTROJ Holding US, and directly owns 100% of shares in these entities.

As at December 31, 2019 EPI is parent company in the following entity:

		EPI's ownership interest	
Name	**Location**	**2019**	**2018**
Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş.	Turkey	100%	100%
LITOSTROJ Holding U.S. INC.	United States	100%	100%
Litostroj Power d.o.o.	Slovenia	100%	100%

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 operates 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.

As at December 31, 2019 LTH US is parent company in the following entity:

		LTH US's ownership interest	
Name	**Location**	**2019**	**2018**
LITOSTROJ U.S. LLC.	United States	100%	100%

Litostroj Power Group ("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.

As at December 31, 2019 LP is parent company in the following entity:

		LP's ownership interest	
Name	**Location**	**2019**	**2018**
Litostroj Engineering, a.s.	Czech Republic	100%	100%
Litostroj Hydro Inc.	Canada	100%	100%

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.

The number of employees of ENERGO-PRO Industries, s.r.o. Group as of 31 December 2019 and 2018 was 485 and 600, respectively.

(ii) ENERGO-PRO a.s. Group ("EP Group")

ENERGO - PRO a.s. ("EPas") is a joint stock 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 EPas are power generation from hydro power plants ("HPPs"), electricity distribution and power trading.

The ultimate holder of 100% of EPas shares is the entity DKHI which is wholly owned by Mr. Jaromír Tesař

The company 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 EP Group of companies which comprises the following entities and their subsidiaries consolidated in these financial statements:

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

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

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

The number of employees of the EP Group as of 31 December 2019 and 2018 was 9,210 and 8,971, respectively.

List o Group´s power plants as of 31 December 2019 as follows:

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

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

[2] Spanchevo HPP; Pirin HPP

[3] Koprinka HPP; Stara Zagora HPP

[4] Klisura HPP, Barzia HPP, Petrohan HPP

[5] Shaori HPP; Dzevrula HPP

[6] Gumati I HPP; Gumati II HPP

[7] Sioni HPP; Satskhenisi HPP; Martkopi HPP

[8] Resadiye I; Resadiye II; Resadiye III

JSC ENERGO-PRO Georgia (“EPG”)

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

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

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

EPG’s principal business activity is distribution of electricity. EPG distributes electricity to all regions of Georgia except for capital city Tbilisi and covers 85% of the territory of Georgia. EPG serves about 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**	**2019**	**2018**
LLC gPower	Georgia	100%	100%
LLC Zoti Hydro[1]	Georgia	95%	95%

LLC gPower (“gPower“) was incorporated on 16 November 2010 and is domiciled in Georgia. gPower signed an agreement with JSC Energy Invest to purchase its operating assets. These operating assets mainly comprise of four gas power turbines with the installed capacity of 110 MW 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 2019 Zoti was a dormant entity.

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

The number of employees of EPG as of 31 December 2019 and 2018 was 5,690 and 5,514, respectively.

[1] On February 11, 2020, LLC Zoti Hydro was officially liquidated. (please find Note 33 - Events after the Reporting Period)

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.

The number of employees of EPGG as at 31 December 2019 and 2018 was 479 and 468, respectively.

JSC OPPA (“OPPA”)

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

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

As at December 31, 2019 OPPA is parent company in the following entity:

		OPPA’s ownership interest	
Name	**Location**	**2019**	**2018**
LLC OPPA Commerce	Georgia	100%	100%

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

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

The number of employees of OPPA as at 31 December 2019 and 2018 was 309 and 299, 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**	**2019**	**2018**
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 31 December 2019.

The number of employees of EPB as at 31 December 2019 and 2018 was 132 and 145, 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 the company is in the amount of BGN 35,791,888 (18,300,102 EUR) divided into 35,791,888 ordinary dematerialized shares with a nominal value of BGN 1.

As at December 31, 2019 EPV directly owns shares in the following subsidiaries:

		EPV’s ownership interest	
Name	**Location**	**2019**	**2018**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EOOD [1]	Bulgaria	100%	100%
ENERGO-PRO Trading EAD [1]	Bulgaria	100%	100%

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

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

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

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

The number of employees of the EPV Group as of 31 December 2019 and 2018 was 2,347 and 2,302 respectively.

[1] On February 17, 2020, ENERGO-PRO Trading EAD was merged with ENERGO-PRO Energy Services EOOD. (for details please find Note 33 - Events after the Reporting Period)

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 HPPs and trading with electricity produced through those plants. The total installed capacity of RH's HPPs is 95 MW and annual production is 553 GWh.

The number of employees of RH as of 31 December 2019 and 2018 was 99 and 99, respectively.

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

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

The number of employees of the EPToptan as of 31 December 2019 and 2018 was 8 and 4, respectively.

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

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

EP Insaat is providing project management and civil construction works in the hydropower segment. Its most significant contract is the Main Construction Contract for all the remaining civil works required for the completion of the Alpaslan II project. The contract price is fixed at approx. EUR 45 million (excluding VAT) from 1 October 2019 until completion.

The number of employees of the EPInsaat as of 31 December 2019 and 2018 was 72 and 61, respectively.

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

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

The number of employees of the MGW as of 31 December 2019 and 2018 was 41 and 40, respectively.

(iii) Other subsidiaries of DKHI Group

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 Litomeřice 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.

As at December 31, 2019 EPTD is parent company in the following entity:

		EPTD’s ownership interest	
Name	**Location**	**2019**	**2018**
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.

As at December 31, 2019 EPHD is parent company in the following entity:

		EPHD’s ownership interest	
Name	**Location**	**2019**	**2018**
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.

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 limited liability 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 financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") under the historical cost convention.

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

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

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

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

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

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

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

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.

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.

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

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

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

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

De-recognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the 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.

When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at the fair value and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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
CAD – Canadian Dollar

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.

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

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

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

(a) Revenue from sale of electricity

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

(b) Revenue from sales of services

Revenue from sales of services compromise of the following services:

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

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

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.

(c) Revenue from connection fees

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

In respect with IFRS 15, the Group has reviewed the contracts concluded for connection of new customers to the electricity grid and considers that they are not in compliance with the IFRS 15 criteria for the transfer of control over services over the time and hence does not meet the obligation to implement and recognize revenue over time. In this respect, as of January 1, 2018, the Group recognizes immediately the revenues from the accession fees.

(d) 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 have reviewed the contracts concluded for grid components – transmission, access fee, and consider that they are acting as an agent. From January 1, 2018, the Group does not report revenue and (costs) for grid components.

(e) 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.

(f) 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.

(g) 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 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.

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

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

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

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 these financial statements are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2019.

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

- IFRS 16 Leases;
- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);
- Amendments to IAS 28 Investments in Associates and Joint Ventures;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle;
- Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19);
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions;
- IAS 40 (amendments) Transfer of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account all lease contracts based on uniform balance method, that is similar to the accounting treatment of finance lease in accordance with IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively and the cumulative effect of its adoption is recognized on the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.
Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application/based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

As the Group has operating leases, in the capacity of a lessee, in connection with the first application of IFRS 16, from the January 1, 2019, the Group reported right of use assets and lease liabilities in the amount of EUR 4,146 thousand. An average interest rate of 4.68% was used for the calculation.

The Group does not present lease liabilities separately in the statement of financial position, the lease liabilities are disclosed in the following notes of these in the statement of financial position include those liabilities:

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Other Non-Current Liabilities (Note 19)	895	1,839
Non-Current Financial Liabilities (Note 18)	806	41
Other Current Liabilities (Note 23)	168	0
Total	**1,869**	**1,880**

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

The nature of this adjustment is described below:

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

The impact of the amendments on the financial position or performance of the Group are disclosed

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In January 2019, IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

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

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

In January 2019, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group.

b) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The amendments are not applicable for the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The IASB issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company.

Definition of a Business (Amendments to IFRS 3)

In May 2019, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company.

Definition of Material (Amendments to IAS 1 and IAS 8)

In June 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The amendments are not applicable for the Company.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

The Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

c) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (IASB)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the IASB.

5. Prior period restatements and reclassifications

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

Prior period reclassifications. Certain reclassifications have been made to the financial statements as at 31 December 2018 and as at 1 January 2018 to conform to the presentation as at 31 December 2019. Reclassifications have affected the consolidated statement of financial position for the year ended 31 December and 1 January 2018.

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

(EUR '000)	Note:	As reported 31-Dec-18	Effect of restatement	As restated 31-Dec-18	Reference	As reported 01-Jan-18	Effect of restatement	As restated 01-Jan-18	Reference
Assets:									
Property, plant and equipment	7	769,238	1,727	770,965	**C**	-	-	-	-
Deferred tax assets	28	7,678	(1,660)	6,018	**B,C,E**	1,717	25	1,742	**E**
Other non-current assets	16	-	-	-	**E**	29,237	422	29,659	**E**
Inventories	12	40,804	(10,358)	30,446	**E**	40,703	(8,133)	32,570	**E**
Current portion of issued loans	10	287	656	943	**E**	2,542	(319)	2,223	**E**
Contract assets		2,431	14,721	17,152	**E**	3,536	14,100	17,636	**E**
Cash and cash equivalents	14	56,528	(656)	55,872	**E**	64,289	319	64,608	**E**
Other current assets	15	39,136	391	39,527	**E**	50,454	(421)	50,033	**E**
Equity:									
Translation reserve		(119,487)	(39)	(119,526)	**A,B,C,E**	(86,069)	201	(85,868)	**A**
Retained earnings	17	(7,944)	(317)	(8,261)	**A,B,C,E**	(21,517)	(1,332)	(22,849)	**A,E**
Liabilities:									
Deferred tax liabilities	28	5,471	(66)	5,405	**E**	8,083	(15)	8,068	**E**
Non-current Provisions	20	11,390	299	11,689	**E**	12,791	388	13,179	**E**
Other non-current liabilities	19	12,112	1,962	14,074	**A,E**	54,865	2,197	57,062	**A,E**
Trade and other payables	22	117,249	1,413	118,662	**E**	102,436	1,536	103,972	**E**
Non- current Borrowings	21	15,124	674	15,798	**E**	-	-	-	-
Contract liabilities		20,261	2,359	22,620	**E**	24,221	3,134	27,355	**E**
Other current liabilities	23	19,826	(788)	19,038	**A,E**	21,719	(116)	21,603	**A,E**

Management has identified and retrospectively corrected errors and made reclassifications in respect of the following line items of the statements of profit or loss and other comprehensive income:

(EUR '000)	**As reported for the 12 month period ended**	**Effect of restatement**	**As restated for the 12 month period ended**	**Reference**
	31-Dec-18		**31-Dec-18**	
Sales of electricity in local markets	641,925	(4,315)	637,610	**D**
Grid components of electricity sales price	133,709	(28,371)	105,338	**D**
Services and other	73,889	1,858	75,747	**E**
Other income / (expense)	7,152	300	7,452	**A,E**
Changes in inventory of products and in work in progress	(14)	(2,219)	(2,233)	**E**
Purchased power	(513,993)	4,315	(509,678)	**D**
Service expenses	(130,457)	28,842	(101,615)	**C,D,E**
Labour costs	(86,464)	759	(85,705)	**C,E**
Materials expenses	(20,677)	1,398	(19,279)	**C,E**
Other operating expenses	(22,291)	75	(22,216)	**C,E**
Deferred taxes	9,018	(1,721)	7,297	**C,B,E**

A. The company EPG recognized grant liability related to the assets granted by Georgian Government. In this regard income related to the granted assets was deferred during the useful life of assets, which were granted from the Georgian Government, instead of one-time income accrual which was used in the past. Therefore, as of 31 December 2018 and 1 January 2018 EPG recognized grant liability in amount of EUR 1,972 thousand and EUR 2,081 thousand. Annually EPG recognized income from grant liability in amount of EUR 300 thousand.

B. The company RH has restated the Deferred tax asset accounting over unused tax losses included in the financial statements as of 31 December 2018. This restatement has affected the deferred tax assets and deferred tax charge. In 2018, RH increased its tax base in accordance with law no. 7143 and as a result of this increase portion of the previous year losses cannot be used to offset a tax liability position in the future. In 2018, RH accounted deferred tax assets over the unusable amount in amount of EUR 1,399 thousand which were subject to restatement.

C. The Group has restated the financial statements due to the reassessment of understanding of the proper time of start of capitalisation of the technical appreciation of the powerplants. Due to this mistake the construction in progress, work in progress and the consolidated statement of comprehensive income are restated as at 31 December 2018 and for the 12 months period ended 31 December 2018.

The Group has restated the Property, plant and equipment of EUR 1,727 thousand, a decrease in Deferred tax assets of EUR 329 thousand, and an increase in Retained earnings of EUR 1,404 thousand as at 31.12.2018. The restatement also had an impact on items Services expenses (EUR 465 thousand), Material expenses (EUR 407 thousand), Labour costs (EUR 670 thousand) and Other operating expenses (EUR 191 thousand) by reducing in the total amount of EUR 1,733 thousand in Income statement for 12 months ended 31 December 2018.

D. In relation to the application of IFRS 15, EPV has reviewed the contracts concluded for grid components – transmission fee, access fee and the obligation for the public, 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 12 months ended December 31, 2018 do not report revenue and (costs) for grid components. The restatement had an impact on items Grid components of electricity sales price and Service expenses in the amount of EUR 28,371 thousand. As well as in the items Sales of electricity on local markets Purchased Power in the amount of EUR 4,315 thousand.

E. In relation to the application of IFRS 15, LP Group has reviewed the contracts for projects in regard of IFRS 15.35 - transfer of control of a good or service (Note 2). LP Group recognized the revenue from contracts with customers at a point in time based on deliveries performed, disregarding the criteria under which the revenues should be recognized over time (PoC method). In addition, for some contracts with customers this re-evaluation had an impact in higher planned costs than planned revenues, resulted in restatement of provision for onerous contracts. There are a number of adjustments in the various lines of these financial statements, the most significant of which are listed below.

The restatement had an impact in the Consolidated statement of financial position as of 31 December 2018 on items Contract assets in amount of EUR 14,721 thousand, Inventories in amount of (EUR 10,358 thousand), Provisions in amount of EUR 1,413 thousand, Contract liabilities in amount of EUR 2,359 thousand, Retained earnings in amount of EUR 1,746 thousand and on other related items it had negligible impact.

The restatement had an impact in the Consolidated statement of financial position as of 1 January 2018 on the items Inventories in the amount of (EUR 8,133 thousand), Contract Assets in the amount of EUR 14,100 thousand, Retained Earnings in the amount of EUR 950 thousand, Trade and other Payables in the amount of EUR 1,536 thousand, and Contract liabilities in the amount of EUR 3,134 thousand and on other related items it had negligible impact.

The restatement had an impact in the Consolidated statement of comprehensive income for the 12 months period ended 31 December 2018 in Construction in progress, Work in progress in the amount of (EUR 2,219 thousand), Material expenses in the amount of EUR 991 thousand and on other related items it had negligible impact.

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 has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	23	199,195	-

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

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	23	188,038	-

In 2018, the Company capitalised 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. This had the effect of increasing Retained Earnings (Losses) (Note 17) in the amount of EUR 21,978 thousand as of 31 December 2018.

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
Cost or valuation							
1 January 2018	**161,483**	**653,082**	**20,814**	**189,054**	**-**	**13,167**	**1,037,600**
Restatement (Note 5)	-	-	-	1,727	-	-	1,727
Reclassification	(6,997)	206	(206)	8,555	-	(1,417)	141
Additions (+)	462	16,100	2,751	153,339	-	2,287	174,939
Transfers (+/-)	1,459	37,222	823	(39,855)	-	351	-
Disposals (-)	(13)	(931)	(1,472)	(1,769)	-	(303)	(4,488)
Difference in rate of exchange	(4,257)	(16,130)	(108)	(50,066)	-	(20)	(70,581)
31 December 2018 Restated	**152,137**	**689,549**	**22,602**	**260,985**	**-**	**14,065**	**1,139,338**
Reclassification	342	(97)	27	620	1,204	530	2,626
Additions (+)	292	20,481	3,781	269,067	3,210	4,935	301,766
Transfers (+/-)	9,552	36,732	975	(47,257)	-	(2)	-
Disposals (-)	(112)	(10,405)	(1,345)	(760)	(239)	(1,803)	(14,664)
Difference in rate of exchange	(2,784)	(17,020)	(800)	(30,219)	(29)	(263)	(51,115)
31 December 2019	**159,427**	**719,240**	**25,240**	**452,436**	**4,146**	**17,464**	**1,377,953**
Accumulated depreciation							
1 January 2018	**(42,576)**	**(266,505)**	**(12,870)**	**26**	**-**	**(5,230)**	**(327,155)**
Reclassification	-	(181)	181	-	-	-	-
Charge for the year (-)	(4,567)	(39,842)	(2,280)	(10)	-	(729)	(47,428)
Disposals (+)	3	560	1,294	14	-	282	2,153
Impairment loss (-)/Reversal of impairment (+)	26	-	-	-	-	-	26
Difference in rate of exchange	(23)	4,050	5	-	-	(1)	4,031
31 December 2018 Restated	**(47,137)**	**(301,918)**	**(13,670)**	**30**	**-**	**(5,678)**	**(368,373)**
01 January 2019	**(47,137)**	**(301,918)**	**(13,670)**	**30**	**-**	**(5,678)**	**(368,373)**
Reclassification	-	(52)	(20)	-	-	32	(40)
Charge for the year (-)	(4,459)	(39,724)	(2,668)	(17)	(1,389)	(1,584)	(49,841)
Disposals (+)	67	8,850	1,102	1	70	1,756	11,846
Impairment loss (-)/Reversal of impairment (+)	357	-	-	-	-	-	357
Difference in rate of exchange	936	5,528	359	1	10	28	6,862
31 December 2019	**(50,236)**	**(327,316)**	**(14,897)**	**15**	**(1,309)**	**(5,446)**	**(399,189)**
Net book value							
31 December 2018 Restated	**105,000**	**387,631**	**8,932**	**261,015**	**-**	**8,387**	**770,965**
31 December 2019	**109,191**	**391,924**	**10,343**	**452,451**	**2,837**	**12,018**	**978,764**

Assets under construction consist mainly of investments in projects for the construction of dams and HPPs in Turkey and reconstruction, and rehabilitation projects within EPas Group.

IFRS 16 was adopted by the EU on October 31, 2017 and enters into force on January 1, 2019. The Group has applied a simplified retrospective approach without adjustments for prior periods.

As the Group has leases, which were classified as operating leases under IAS 17, in the capacity of a lessee, in connection with the first application of IFRS 16, from the January 1, 2019, the Group reported right of use assets and lease liabilities in the amount of EUR 4,146 thousand. An average interest rate of 4.68% was used for the calculation of lease liability.

8. Goodwill

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

(EUR'000)	31-Dec-18	Acquisitions/ Disposals	Exchange differences	Impairment loss	31-Dec-19
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	63,573	-	(1,928)	-	61,645
Total carrying amount	**77,158**	**-**	**(1,928)**	**-**	**75,230**

(EUR'000)	31-Dec-17	Acquisitions/ Disposals	Exchange differences	Impairment loss	31-Dec-18
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	66,654	-	(3,081)	-	63,573
Total carrying amount	**80,239**	**-**	**(3,081)**	**-**	**77,158**

Goodwill tables above are comprising from:

(i) DK Holding Investments Group

Berta Goodwill

(EUR'000)	2019	2018
Gross book value at 1 January	3,535	3,535
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**3,535**	**3,535**
Exchange differences	-	-
Gross book value at 31 December	3,535	3,535
Impairment loss	-	-
Carrying amount at 31 December	**3,535**	**3,535**

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

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations. This calculation use cash flow projection based on financial forecasts prepared by management covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

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

	2019	2018
Annual growth rate first ten years	0.0% p.a.	0.0% p.a.
Annual growth rate beyond ten years	1.0% p.a.	1.0% p.a.
Pre-tax discount rate	9.6% p.a.	10.0% p.a.

DEL Goodwill

(EUR'000)	2019	2018
Gross book value at 1 January	10,050	10,050
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**10,050**	**10,050**
Exchange differences	-	-
Gross book value at 31 December	10,050	10,050
Impairment loss	-	-
Carrying amount at 31 December	**10,050**	**10,050**

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

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations. This calculation use cash flow projection based on financial forecasts prepared by management covering a fifteen-year period. Cash flows beyond the fifteen-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

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

	2019	2018
Annual sales growth	2.0% p.a.	2.0% p.a.
Pre-tax discount rate	4.2% p.a.	7.4% p.a.

(ii) ENERGO–PRO Group

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	31 Dec 2018
OPPA (e)	5,836	-	-	-	5,836
EPG (b)	441	-	(20)	-	461
EPB (d)	24,862	-	-	-	24,862
RH (c)	9,020	-	(932)	-	9,952
EPGG (a)	21,486	-	(976)	-	22,462
Total carrying amount of goodwill	**61,645**	**-**	**(1,928)**	**-**	**63,573**

(a) EPGG Goodwill

(EUR'000)	31 Dec 2019	31 Dec 2018
Gross book value at 1 January	22,462	22,214
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**22,462**	**22,214**
Exchange differences	(976)	248
Gross book value at 31 December	21,486	22,462
Impairment loss	-	-
Carrying amount at 31 December	**21,486**	**22,462**

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

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

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

	2019	**2018**
Annual sales growth	7.9% p.a.	6.0% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Pre-tax discount rate	13.4% p.a.	16.5% p.a.

(b) EPG Goodwill

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Gross book value at 1 January	461	456
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**461**	**456**
Exchange differences	(20)	5
Gross book value at 31 December	441	461
Impairment loss	-	-
Carrying amount at 31 December	**441**	**461**

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

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

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

	2019	**2018**
Annual sales growth	4.3% p.a.	5.1% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Pre-tax discount rate	13.4% p.a.	16.5% p.a.

(c) RH Goodwill

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Gross book value at 1 January	9,952	13,286
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**9,952**	**13,286**
Exchange differences	(932)	(3,334)
Gross book value at 31 December	9,020	9,952
Impairment loss	-	-
Carrying amount at 31 December	**9,020**	**9,952**

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

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

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

	2019	**2018**
Discount rate	17.3% p.a.	24.5% p.a.
Growth rate beyond forty years	0.0% p.a.	0.0% p.a.
Annual sales growth within the forty years	0.0% p.a.	0.0% p.a.

(d) EPB Goodwill

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Gross book value at 1 January	24,862	24,862
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**24,862**	**24,862**
Acquisitions/ Disposals	-	-
Exchange differences	-	-
Gross book value at 31 December	24,862	24,862
Impairment loss	-	-
Carrying amount at 31 December	**24,862**	**24,862**

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

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

(e) OPPA Goodwill

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Gross book value at 1 January	5,836	5,836
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**5,836**	**5,836**
Exchange differences	-	-
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	**5,836**	**5,836**

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

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

9. Intangible Assets

Movements in the carrying amount of intangible assets in the year 2019 and 2018 were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Assets under construction	Other	Total
Cost or valuation 1 January 2019	**52,065**	**4,804**	**22,920**	**4,944**	**214**	**1,122**	**86,069**
Reclassification	24	20	-	-	(25)	(56)	(37)
Additions (+)	125	192	-	-	163	195	675
Transfers (+/-)	10	51	-	58	(119)	-	-
Disposals (-)	(18)	(2)	-	(4)	-	(4)	(28)
Difference in rate of exchange	(3,561)	(51)	-	7	1	(59)	(3,663)
31 December 2019	**48,645**	**5,014**	**22,920**	**5,005**	**234**	**1,198**	**83,016**
Accumulated depreciation 1 January 2019	**(13,086)**	**(2,425)**	**(17,805)**	**(3,099)**	**-**	**(456)**	**(36,871)**
Reclassification	(20)	(20)	-	-	-	71	31
Charge for the year (-)	(1,225)	(361)	(544)	(363)	-	(136)	(2,629)
Disposals (+)	17	2	-	3	-	-	22
Impairment loss (+/-)	-	-	(4,409)	-	-	-	(4,409)
Difference in rate of exchange	727	20	(4)	(5)	-	16	754
31 December 2019	**(13,587)**	**(2,784)**	**(22,762)**	**(3,464)**	**-**	**(505)**	**(43,102)**
Net Book Value 31 December 2019	**35,058**	**2,230**	**158**	**1,541**	**234**	**693**	**39,914**

(EUR'000)	Electricity generation licenses	Software	Customer list	R&D	Assets under construction	Other	Total
Cost or valuation 1 January 2018 Restated	**64,488**	**4,372**	**22,922**	**4,805**	**528**	**562**	**97,677**
Reclassification (Note 5)	(1)	-	-	-	(141)	2	(140)
Additions (+)	31	239	-	-	679	521	1,470
Transfers (+/-)	360	199	-	143	(774)	72	-
Disposals (-)	(47)	(9)	-	-	-	(12)	(68)
Difference in rate of exchange	(12,766)	3	(2)	(4)	(78)	(23)	(12,870)
31 December 2018 Restated	**52,065**	**4,804**	**22,920**	**4,944**	**214**	**1,122**	**86,069**
1 January 2018 Restated	**(14,076)**	**(2,162)**	**(14,647)**	**(2,729)**	-	**(352)**	**(33,966)**
Reclassification (Note 5)	-	-	-	-	-	-	-
Charge for the year (-)	(1,319)	(263)	(1,266)	(374)	-	(116)	(3,338)
Disposals (+)	51	-	-	-	-	9	60
Impairment loss (+/-)	-	-	(1,892)	-	-	-	(1,892)
Difference in rate of exchange	2,258	-	-	4	-	3	2,265
31 December 2018 Restated	**(13,086)**	**(2,425)**	**(17,805)**	**(3,099)**	**-**	**(456)**	**(36,871)**
Net Book Value 31 December 2018 Restated	**38,979**	**2,379**	**5,115**	**1,845**	**214**	**666**	**49,198**

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.

As of 1 January 2019, renewable energy producers in Bulgaria must sell their output directly on an independent energy exchange. As of August 1, 2019, the same changes were also applied to HPPs with installed capacity between 1-4 MW. As a result, EPB reduced the remaining electricity purchase contracts at preferential prices related to these HPPs. As of 31 December 2019, the EPB recognized that the intangible assets associated with these contracts amounted to EUR 4,409 thousand (31 December: EUR 1,892 thousand) of electricity sales contracts for HPP with an installed capacity of 1-4 MW. As per the regulatory changes described above, such contracts could not be applied from 1 August 2019 onwards. Management of EPB agreed that contracts should be impaired in respect of changes in regulations.

10. Issued Loans

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Non-current portion of issued loans:		
Bank deposits	1,612	-
Other	288	283
Total non-current portion of issued loans	**1,900**	**283**
Current portion of issued loans:		
Taurus Konsult EOOD	370	93
Terestra Bulgaria	199	192
Other	143	658
Total current portion of issued loans	**712**	**943**
Total issued loans	**2,612**	**1,226**

Movements in issued loans were as follows:

(EUR'000)	**2019**	**2018**
As at 1 January	**1,226**	**2,258**
Interest income accrued during the year (+)	22	85
Loans issued during the year (+)	2,132	1,497
Taxes on interest income (-)	-	-
Principal repayments (-)	(926)	(2,521)
Interest received during the year (-)	-	(301)
Reclassification	-	-
Exchange rate difference	158	208
As at 31 December 2019	**2,612**	**1,226**

11. Non-current Financial Assets

(EUR'000)	31 Dec 2019	31 Dec 2018
Restricted bank deposit (i)	6,408	1,184
Other	1,632	330
Total non-current financial assets	**8,040**	**1,514**

(i) The bank deposits of RH, Murat 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.

12. Inventories

(EUR'000)	31 Dec 2019	31 Dec 2018
Work in progress	16,939	13,952
Prepayments for inventories	9,874	761
Electrical equipment	3,517	3,615
Material and raw material	3,194	1,829
Cables and wires	3,166	2,328
Tools and bolts	1,527	1,215
Spare parts	1,198	835
Inventory related to Paybox Installation	905	630
Scrap & Damaged Inventory	722	1,068
Oil and lubricants	557	498
Poles	236	254
Overalls and special clothes	213	390
Inventory related to installation of meters	155	513
Semi-finished Production Costs	-	1,150
Other	1,787	2,059
Less: provision for obsolete and slow-moving inventories	(1,801)	(651)
Total inventories	**42,189**	**30,446**

Movements in inventories were as follows:

(EUR'000)	2019
As at 1 January	**30,446**
Purchase of inventories (+)	21,276
Own production of inventories (-) products/work in progress/semi-finished products (+)	1,384
Sale of inventories (-)	(8,942)
Inventory differences (+/-)	3,353
Impairment for inventories - additions (-)	(1,696)
Impairment for inventories - release (+)	1,933
Payment of prepayments for inventories (+)	15,743
Use of prepayments for inventories (-)	(6,776)
Capitalisation (-) (i)	(13,421)
Consumption (-)	(7)
Exchange rate difference (+/-)	(1,101)
As at 31 December	**42,189**

(i) The item Capitalisation of inventories (-) is related to the companies EPG and EPV. The item represents the credit movement and includes materials useful for routine repairs, investment projects available and the cost of fuel and other material costs.

13. Trade and Other Receivables

(EUR'000)	**31 Dec 2019**	**31 Dec 2018 Restated**
Distribution to households	53,773	55,464
Distribution to commercial sector	60,922	65,363
Distribution to public sector	102	338
Receivables from export sales	1,979	2,068
Receivables from transmission	5,435	6,959
Short-term accounts receivable	24	9,672
Rent deposit	82	81
Other trade receivables	4,622	2,129
Less: provision for impairment	(18,686)	(15,802)
Total trade receivables	**108,253**	**126,272**
Guarantee deposits	2,780	6,504
Deposits granted	1,877	89
Restricted cash	84	93
Other	635	386
Total trade and other receivables	**113,629**	**133,344**

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

(EUR'000)	**2019**	**2018**
Provision for impairment at 1 January	15,802	15,942
Adjustment upon application of IFRS 9 and IFRS 15	-	(1,863)
Impairment charge	6,084	3,326
Reversal of impairment during the year	(2,801)	(1,177)
Amounts written off during the year as uncollectible	(192)	(420)
Exchange rate difference	(207)	(6)
Provision for impairment at 31 December	**18,686**	**15,802**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Total neither past due not impaired:	**98,589**	**114,770**
Past due but not impaired		
- less than 30 days overdue	3,887	4,883
- 31 to 90 days overdue	1,533	2,279
- 91 to 180 days overdue	970	716
- over 181 days overdue	4,171	3,810
Total past due not impaired	**10,561**	**11,688**
Past due and impaired		
- current and impaired	1,762	32
- less than 30 days overdue	702	198
- 31 to 90 days overdue	934	660
- 91 to 180 days overdue	843	898
- over 181 days overdue	13,548	13,828
Total past due and impaired	**17,789**	**15,616**
Less: provision for impairment	(18,686)	(15,802)

Total current trade receivables, net	**108,253**	**126,272**

14. Cash and Cash Equivalents

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

(EUR'000)	**31 Dec 2019**	**31 Dec 2018 Restated**
Cash on hand	44	62
Cash with banks:		
- CZK denominated	4,641	4,716
- BGN denominated	4,252	26,436
- GEL denominated	5,776	8,852
- TRY denominated	316	1,234
- USD denominated	1,842	1,512
- EUR denominated (i)	113,692	12,739
- PLN denominated	-	3
- GBP denominated	-	1
- RON denominated	478	475
- RSD denominated	-	1
- HUF denominated	49	50
- CAD denominated	1,993	647
- Other currencies denominated	99	160
Total cash and cash equivalents	**133,182**	**55,872**
- of which EUR denomited Restricted cash (i)	99,576	-

(i) This represents the cash proceeds of ALPASLAN-II Project financing (Note 21) held in a segregated account of Murat Nehri with HSBC Bank London. The release of this cash is subject to a number of conditions and its use is restricted to funding expenses relating to the construction of the ALPASLAN-II Project.

15. Other Current Assets

(EUR'000)	31 Dec 2019	31 Dec 2018
Advance payments	15,660	21,069
VAT receivables	11,180	2,803
Deferred value-added tax	8,474	9,777
Prepaid insurance	2,367	971
Deferred expenses	770	887
Receivables court cases	(9)	(28)
Other	1,744	4,048
Total other current assets	**40,186**	**39,527**

Items Advance payments and VAT receivables consist mainly prepaid construction payments connected for the construction of dams and HPPs and reconstruction, and rehabilitation projects within DKHI Group.

16. Share Capital

The company DK Holding Investments, s.r.o. has authorized share capital of EUR 7 thousand (CZK 200 thousand) as at 31 December 2019, and as at 31 December 2018.

17. Retained Earnings (Losses)

The Group recognises no restrictions apart of retained earnings according to the statutory financial statements is available for distribution subject to the legal reserve requirement and subject to restrictive covenants contained in the Terms and Conditions of the Bonds.

Retained Earnings (Losses) as of 31 December 2018 include EUR 21,978 thousand related to a capitalisation of 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 23)

18. Non-current Financial Liabilities

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Lease liabilities	806	41
Other	641	-
Total non-current financial liabilities	**1,447**	**41**

19. Other Non-current Liabilities

(EUR'000)	**31 Dec 2019**	**31 Dec 2018 Restated**
Long-term liabilities arising from the acquisition of the company EPas (i)	7,657	7,327
Government grants	1,750	78
Lease liabilities	895	1,839
Long-term operating liabilies associated with advances and collaterals (ii)	-	4,707
Other	1,677	123
Total other non-current liabilities	**11,979**	**14,074**

(i) The amount represents the obligation arising from the payment of the purchase price for the purchase of the share in EPas. This liability has a maturity date in 2026.

In 2018, the Company capitalised 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 17, 23)

(ii) As of 31 December 2018, the amount contains Non-current operating liabilities associated with the long-term advances for the projects Khoda Afarin, Koyna and Piva at LP Group.

20. Current and Non-current Provisions

Analysis of the provisions:

(EUR'000)	**31 Dec 2019**	**31 Dec 2018 Restated**
Non-current:		
Grid access fee provision (a)	5,308	5,698
Retirement benefits (d)	4,421	3,460
Provisions for guarantees given (g)	2,216	1,962
Other non-current provisions (c)	1,626	569
Total non-current provisions	**13,571**	**11,689**
Current:		
Legal claims (b)	7,320	10,509
Energy effectiveness (e)	746	5
Retirement benefits (d)	686	348
Provision of restructuring (f)	30	1,366
Other (c)	718	691
Total non-current provisions	**9,500**	**12,919**
Total provisions	**23,071**	**24,608**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Provision for restructuring	Access to producer	Energy effectiveness	Retirement benefits	Provision for guarantees given	Other	Total
At 31 December 2018 Restated	**5,698**	**10,509**	**1,366**	**-**	**5**	**3,808**	**1,962**	**1,260**	**24,608**
Reclassification/Restated (Note 5)	-	-	-	-	-	4	-	(3)	1
Paid	-	(170)	(832)	-	-	(400)	(342)	(424)	(2,168)
Accrued	-	3,930	-	-	746	722	792	1,923	8,113
Financial expense	(156)	-	-	-	-	-	-	-	(156)
Reversed	(234)	(6,821)	(504)	-	(5)	-	(200)	(363)	(8,127)
Actuarial loss/ (profit)	-	-	-	-	-	932	-	-	932
Difference in rate of exchange	-	(128)	-	-	-	41	4	(49)	(132)
At 31 December 2019	**5,308**	**7,320**	**30**	**-**	**746**	**5,107**	**2,216**	**2,344**	**23,071**

(EUR'000)	Grid access fee	Legal claims	Provision for restructuring	Access to producer	Energy effectiveness	Retirement benefits	Provision for guarantees given	Other	Total
At 31 December 2017	**6,680**	**9,880**	**-**	**49**	**-**	**4,416**	**1,885**	**6,232**	**29,142**
Reclassification/Restated (Note 5)	-	-	-	-	-	-	(65)	1000	935
Paid	-	(19)	-	-	-	(386)	(540)	(305)	(1,250)
Accrued	(16)	4,957	1,366	-	5	379	789	482	7,962
Financial expense	-	-	-	-	-	-	(2)	(2)	(4)
Reversed	(963)	(4,302)	-	(49)	-	(592)	(104)	(6,124)	(12,134)
Actuarial loss/ (profit)	-	-	-	-	-	38	-	-	38
Difference in rate of exchange	(3)	(7)	-	-	-	(47)	(1)	(23)	(81)
At 31 December 2018 Restated	**5,698**	**10,509**	**1,366**	**-**	**5**	**3,808**	**1,962**	**1,260**	**24,608**

(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 December 31, 2019, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 5,167 thousand.

(c) Provision for energy effectiveness

As of December 31, 2019, and 2018, two companies of the Group are included in the list of the companies obliged under the Energy Efficiency Act and are assigned individual targets for energy savings. The Group recognizes a provision in respect of its obligation to meet these individual targets.

However, as of December 31, 2018, the Management cannot make a reliable estimate of the cost of certificates and there is no funding for the purchase of certificates in the regulatory framework. Therefore, the energy efficiency provision is accrued on the basis of the statutory minimum sanctions provided for in the Energy Act in the amount of EU 2.6 thousand per company.

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

The principal actuarial assumptions are as follows:

	2019	2018
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 2002 to 2013 is studied. Based on research experience and the Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal have been defined in the actuary model.

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

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%

Demographic assumptions about the future characteristics of employees

Mortality assumptions are prepared on basis of National Statistical Institute data on the total mortality of Bulgarian 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 1.00 % (2018: 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.

(f) Provision for restructuring

The LP Group formed a reorganization provision in amount of EUR 1,366 thousand as at 31 December 2018. This provision was created based on the planned reorganization of the company for the payment of severances to employees in the year 2019.

Provisions for retirement benefits and jubilee benefits are formed for estimated liabilities for retirement and jubilee benefits as a result of long-term employee service, as at the balance sheet date, discounted to the present value. Provisions for jubilee and retirement bonuses in the parent company were created under the assumptions of 243 employees (236 on permanent employment contract), an estimated future long-term salary increase of 1.5 % per year, a nominal long-term interest rate of 1.0 %, a 16.1 % employer’s contribution, and fluctuation of people calculated from the present fluctuation, realistic expectations of the owner for the future and experience in fluctuation in the Republic of Slovenia. The calculation was prepared by an authorized actuary.

g) Provisions for guarantees

The provisions for warranty guarantees for products sold are created based on experience and costs of complaints in the past and are disbursed during the warranty period of the respective project. The full amount of the provisions for guarantees is related to LP Group.

21. Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2019 and as of 31 December 2018.

(EUR'000)	31 Dec 2019	31 Dec 2018 Restated
Non-Current portion of borrowings:		
Issued Bonds (i)	622,606	621,100
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	166,809	-
AKBANK (Turkey) (iv)	103,467	76,633
UniCredit Bank Czech Republic & Slovakia (Czech Republic) (ii)	40,454	23,492
Komerční banka, a.s. (Czech Republic) (vii)	10,830	1
Banka CREDITAS, a.s. (Czech Republic) (iii)	5,903	9,718
AKLease (Turkey)	2,175	792
Credit Guarantee Fund	1,311	1,835
Essox s.r.o. (Czech Republic)	69	102
Porsche Leasing SLO (Slovenia)	43	-
Grenkeleasing d.o.o. (Slovenia)	6	-
ZEL-EN d.o.o. (Slovenia)	-	112
UniCredit Leasing d.o.o. (Slovenia)	-	73
Total non-current portion of borrowings	**953,673**	**733,858**
Current portion of borrowings:		
AKBANK (Turkey) (iv)	17,535	1,343
Raiffeisenbank EAD (Bulgaria) (viii)	7,330	-
Sberbank CZ, a.s. (Czech Republic) (vi)	6,500	-
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	4,378	-
Banka CREDITAS, a.s. (Czech Republic) (iii)	3,935	1,944
Sberbank d.d. (Slovenia)	3,000	1,000
Banka DSK EAD (Bulgaria)	1,963	-
Komerční banka, a.s. (Czech Republic)	770	778
Credit Guarantee Fund	574	517
AKLease (Turkey)	311	158
Banque Nationale du Canada (Canada - Quebec)	162	171
ZEL-EN d.o.o. (Slovenia)	112	-
IBM Slovenija d.d. (Slovenia)	73	-
Škofin s.r.o. (Czech Republic)	35	4
Essox s.r.o. (Czech Republic)	29	34
Grenkeleasing d.o.o. (Slovenia)	3	-
SID banka d.d. (Slovenia)	1,050	675
UNICREDIT BANKA SLOVENIJA d.d. (Slovenia)	-	3,000
UniCredit Bank Czech Republic & Slovakia (Czech Republic) (ii)	-	4,968
SKB d.d. (Slovenia)	-	1,000
UniCredit Leasing d.o.o. (Slovenia)	-	171
Other	53	35
Total current portion of borrowings	**47,813**	**15,798**
Total borrowings	**1,001,486**	**749,656**

(i) Issued Bonds

Issued Bonds	**31 Dec 2019**	**31 Dec 2018**
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	974	974
Unamortised initial costs associated with the bond issue	(3,831)	(4,897)
Carrying amount of 4% Notes due 2022	**367,143**	**366,077**
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	7,428	7,428
Unamortised initial costs associated with the bond issue	(1,965)	(2,405)
Carrying amount of 4.5% Notes due 2024	**255,463**	**255,023**
Total carrying amount of issued bonds	**622,606**	**621,100**

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 31 December 2019 was EUR 367,143 thousand (EUR 366,077 thousand as at 31 December 2018).

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 31 December 2019 was EUR 255,463 thousand (EUR 255,023 thousand as at 31 December 2018).

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) UniCredit Bank Czech Republic and Slovakia, a.s. (DEL)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
UniCredit Bank Czech Republic and Slovakia, a.s.	CZK	Term loan	40,454	29-March-2029

On 27 March 2019, DEL and Unicredit Bank Czech Republic and Slovakia, a.s. signed a facility agreement with respect to a CZK 1,050,000 thousand loan. The proceeds were used for refinancing of existing indebtedness and general corporate purposes.

(iii) Banka CREDITAS, a.s. (DKHI)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
Banka CREDITAS, a.s.	CZK	Term loan	9,838	30-June-2022

On 21 June 2018, DKHI and Banka CREDITAS, a.s. signed a facility agreement with respect to a CZK 300,000 thousand loan. The facility was provided for general corporate purposes. The facility is being repaid in 12 equal quarterly instalments of CZK 25,000 thousand each starting from September 2019.

(iv) AKBANK (Bilsev)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
AKBANK	USD	Term loan	121,002	December-2026

On 29 June 2016, Bilsev and AKBANK signed a facility agreement with respect to a USD 166,000 thousand loan. The facility was provided for the construction of the Karakurt dam and related HPP. In February 2019, the amount of the facility was reduced from USD 166,000 thousand to USD 141,000 thousand.

(v) Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., acting in a fiduciary capacity, and Česká exportní banka a.s. (Murat)

Lenders	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., acting in a fiduciary capacity, and Česká exportní banka a.s.	EUR	Term loan	171,187	December-2030

On 8 November 2019, Murat and MUFG Securities EMEA Plc (as Facility Agent) signed a facility agreement with respect to a EUR 175,000 thousand loan. The facility was provided for the construction of the Alpaslan II dam and related HPP.

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

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
Sberbank CZ, a.s.	EUR	Revolving credit facility	6,500	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.

(vii) Komerční banka, a.s. (EP MVE)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
Komerční banka, a.s.	CZK	Term loan	10,830	December-2033

On 26 February 2019, EP MVE and Komerční banka, a.s. signed a facility agreement with respect to a CZK 280,000 thousand loan. The facility was used to fund a recapitalisation of EP MVE.

(viii) Raiffeisenbank EAD (EPV)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2019 (EUR ´000)	Final maturity Date
Raiffeisenbank EAD	BGN	Revolving credit facility	7,329	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.

Other borrowings

Remaining loans not described above are primarily associated with the LP Group. These credits are mainly used for operational financing. These credits are secured by mortgage on property, pledge of receivables and inventories of LP Group (please find details in Note 29).

22. Trade and Other Payables

(EUR'000)	31 Dec 2019	31 Dec 2018 Restated
Trade payables	120,045	114,518
Deposits	930	19
Payables for legal disputes	921	-
Payables for joint participation	-	1,673
Other	5,288	2,452
Total trade and other payables	**127,184**	**118,662**

23. Other Current Liabilities and Other liabilities to Shareholder

Other current liabilities:

(EUR'000)	31 Dec 2019	31 Dec 2018 Restated
Payable to personnel	6,980	8,371
Taxes payable	4,047	6,050
Accrued costs and expenses	937	2,572
Lease liabilities	168	-
Liabilities from social and health insurance	6	5
Advances Received	29	42
DSİ Accrual	-	99
Other liabilities	2,640	1,899
Total other current liabilities	**14,807**	**19,038**

Other current liabilities to shareholder:

Other liabilities to the shareholder amounting to EUR 199,195 thousand as of 31 December 2019 (31 December 2018: EUR 188,038 thousand) are liabilities to the owner of the company, Mr. Jaromir Tesar. Liabilities to the shareholder of the company have a flexible date of maturity, and their repayment is not planned in the following year 2020 (Note 17).

24. Service Expenses

(EUR'000)	2019	2018 Restated
Technological losses of electricity	(30,665)	(34,452)
Repairs and maintenance	(6,494)	(5,343)
Commisions	(6,178)	(5,400)
Dispatch and transmission	(5,506)	(8,493)
Insurance	(4,090)	(5,479)
Production services	(3,742)	(9,282)
Professional service fees	(3,248)	(16,032)
Rent expense	(2,876)	(3,741)
Security expense	(2,832)	(1,966)
Encashment fee	(2,010)	(2,025)
Travel expenses	(1,040)	(1,002)
Non-manufacturing services, etc.	(1,041)	(925)
Transportation and forwarding	(916)	(1,415)
One-off connection fee to ESCO	(726)	-
Bank charges	(659)	(724)
Entertainment and promotion expenses	(251)	(299)
Other	(4,657)	(5,037)
Total service expenses	**(76,931)**	**(101,615)**

25. Other Operating Expenses

(EUR'000)	2019	2018 Restated
Business trip expenses	(7,811)	(7,969)
GNERC regulatory expense	(1,337)	(1,560)
Provision for impairment and bad debt write-off	(3,335)	(6,199)
Office supplies consumed	(453)	(274)
Provision for expenses	1,154	3,383
Court expenses	(504)	(865)
Provision for impairment and bad debt write-off of receivables for court cases	(816)	(1,465)
ESCO Service Fee	(92)	(529)
Impairment loss for IA	-	(1,892)
Penalties and fines	-	(2)
Donations	-	(12)
Inventory obsolescence expense and write off	-	(217)
Other	(5,443)	(4,615)
Total other operating expenses	**(18,637)**	**(22,216)**

26. Finance Costs – Net

(EUR'000)	**2019**	**2018 Restated**
Interest expense bonds	(27,950)	(23,821)
Interest expense from bank borrowings	(5,275)	(9,266)
Prolongation fees on factored payables	(1,780)	-
Expenses related to early payment	-	(23,185)
Fee from loans and other	(1,791)	(830)
FX balance on CIP account	-	(1,263)
Interest expense on lease liabilities	(88)	-
Insurance expense	(41)	-
Other finance costs	(537)	(405)
Net foreign exchange losses	-	(51,897)
Finance costs	**(37,462)**	**(110,667)**
Interest income on issued loans	27	141
Interest income on cash and cash equivalents	212	181
Interest income on deposit account	90	-
Interest income - bonds	-	360
Other financial income	1,017	2,314
Net foreign exchange gains	821	-
Finance income	**2,167**	**2,996**
Net finance costs	**(35,295)**	**(107,671)**

27. Other Income (Expenses)

(EUR'000)	**2019**	**2018 Restated**
Surplus from inventory and PPE counts	1,966	738
Income from penalties and fines	698	584
Income from insurance claims	984	162
Gains less losses on disposal of PPE and IA	99	68
Assets granted by third parties	635	800
Subsidies and grants	2,757	1,244
Rental income	1,361	59
Legal claims	(2,242)	-
Other	6,161	3,797
Total other income	**12,419**	**7,452**

28. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

(EUR'000)	2019	2018 Restated
Current tax	(6,491)	(7,147)
Deferred tax	(2,857)	7,297
Income tax expense for the year	**(9,348)**	**150**

The reconciliation between the expected and actual taxation charge is provided below:

(EUR'000)	2019	2018 Restated
Profit (-) / Loss (+) before tax	(43,176)	27,632
Tax rate (i)	9%	45%
Theoretical tax charge at statutory rate (ii)	3,929	(12,519)
Current tax:		
Additional tax payments (+) / refund (-)	(134)	1,689
Withholding tax (+)	-	-
Tax incentives, tax credits (-)	-	-
Investment allowance used (previously unrecognised)	(133)	(508)
Income tax paid in other countries (+)	399	176
Deduction of tax loss - deferred tax asset was not recognized	(72)	-
Imputed tax payables for commercial loss	-	(90)
Negative Goodwill released to income	-	6
Deferred tax:		
Effect of the changes in tax rates	1	-
Deduction of tax loss	697	(498)
Effect of the different % used to calculate DT	-	-
Adjustments to deferred tax attributable to changes in tax rates and laws	(352)	(217)
Effect of not recognized deferred tax asset	(224)	9,177
Adjustments to deferred tax attributable to changes in tax rates and laws		
Net value of non-current tangible/intangible assets	(62)	-
Profit (-) / Loss (+) from derecognition of shares	-	-
Increase (+)/release (-) of financial investments impairment	-	-
Increase (+)/release (-) of issued loans impairment	-	-
Increase (+)/release (-) of trade receivables impairment	83	-
Increase (+) / release (-) provisions	(60)	-
Interest income (-) / expense (+)	-	-
Dividend income (-)	-	-
Expenses from option rights (+)	-	-
Other non-deductible expenses (+) / income (-)	5,216	7,894
Expenses from option rights (+)	**5,359**	**2,634**
Hypothetical tax on non-tax expenses and income	**9,348**	**(150)**

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

(ii) The tax rate has been determined as the theoretical tax charge at statutory rate divided by profit before tax.

(b) Deferred taxes

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

EUR'000	**2019**	**2018 Restated**
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	5,397	5,794
- Deferred income tax asset to be recovered within 12 months	761	224
Deferred income tax assets	**6,158**	**6,018**
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(8,476)	(5,225)
- Deferred income tax liability to be recovered within 12 months	(499)	(180)
Deferred tax liabilities	**(8,975)**	**(5,405)**
Net deferred income tax assets/(liabilities)	**(2,817)**	**613**

(c) Deferred taxes analysed by type of temporary difference

The movements in deferred income tax assets and liabilities during the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(EUR'000)	1 Jan 2019 Restated	Reclassiffication	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of deductible temporary differences					
Property, plant and equipment & Intagible assets	(14,881)	(586)	1,973	672	(12,822)
Trade receivables	(54)	(135)	(677)	32	(834)
Borrowings	(60)	(1)	94	1	34
Other current assets	(52)	(115)	151	8	(8)
Deferred income	(123)	66	60	(1)	2
Other temporary differences	(276)	(841)	(25)	4	(1,138)
Total deferred tax liability	**(15,446)**	**(1,612)**	**1,576**	**716**	**(14,766)**

(EUR'000)	1 Jan 2019 Restated	Reclassiffication	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	20	1	(6)	1	16
Inventories	26	-	(39)	-	(13)
Allowances for trade receivables	654	326	367	(1)	1,346
Trade and other payables	134	(139)	-	-	(5)
Borrowings	-	-	30	1	31
Deferred income	3	410	(127)	25	311
Provisions	1,930	(216)	(329)	(1)	1,384
Carry forwards tax losses	10,750	(103)	(3,750)	(724)	6,173
Unutilised investment incentives	1,901	(113)	(6)	(168)	1,614
FX balance on CIP account	7	-	-	-	7
Other current assets	-	(7)	-	1	(6)
Other temporary differences	501	1,027	(480)	43	1,091
Total deferred tax assets	**15,926**	**1,186**	**(4,340)**	**(823)**	**11,949**
Net deferred tax liability	**480**	**(426)**	**(2,764)**	**(107)**	**(2,817)**

The tax effects of the movements in the temporary differences for the year ended 31 December 2018 are:

(EUR'000)	1 Jan 2018 Restated	Reclassiffication/Restated (Note 5)	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 18 Restated
Tax effect of deductible temporary differences					
Property, plant and equipment & Intangible assets	(19,248)	-	1,733	2,634	(14,881)
Trade receivables	9	(9)	(57)	3	(54)
Borrowings	17	-	(77)	-	(60)
Other current assets	(224)	-	123	49	(52)
Deferred income	(290)	(16)	183	-	(123)
Other temporary differences	(249)	-	(23)	(4)	(276)
Total deferred tax liability	**(19,985)**	**(25)**	**1,882**	**2,682**	**(15,446)**

(EUR'000)	1 Jan 2018 Restated	Reclassiffication/Restated (Note 5)	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 18 Restated
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	-	-	20	-	20
Inventories	27	(328)	328	(1)	26
Allowances for trade receivables	621	(92)	122	3	654
Trade and other payables	2	-	140	(8)	134
Deferred income	787	(665)	(118)	(1)	3
Provisions	2,714	(30)	(736)	(18)	1,930
Carry forwards tax losses	7,053	(1,360)	7,023	(1,966)	10,750
Unutilised investment incentives	1,898	(4)	(1)	8	1,901
FX balance on CIP account	-	4	508	(505)	7
Other temporary differences	557	115	(150)	112	634
Total deferred tax assets	**13,659**	**(2,360)**	**7,136**	**(2,376)**	**16,059**
Net deferred tax liability	**(6,326)**	**(2,385)**	**9,018**	**306**	**613**

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

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

29. Contingencies and Commitments

a) Legal proceedings

From time to time and in the normal course of business, claims against the Group may be initiated. On the basis of 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.

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 half of the year 2020 at the earliest.

EPB
As at 31 December 2019, 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 31.12.2019. In February 2020 the case was finally solved in favor of EPB.

EPB is plaintiff in 2 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 December 31, 2019 the EPV's net book value of such assets is EUR 1,372 thousand (as at December 31, 2018: EUR 1,427 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.

LP Group
Actions for damages in a total value of EUR 3,483 thousand were filed against Litostroj Hydro. Based on attorneys' opinion, the company's management estimated that no conditions occurred that would require the legal claims to be recognized as provisions or liabilities in the Balance Sheet.

The Mancipality of Ljubljana ("MOL") has filed a lawsuit against the LP for the amount of EUR 31,220 thousand on the basis of the Public Utilities Act, claiming that the company should return part of real estate to MOL free of charge. a lawsuit is pending. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

b) Tax legislation

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

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

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

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this financial information, if the authorities were successful in enforcing their own interpretations, could be significant to the Group.

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

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

c) 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.

d) 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.

LP Group

Guarantees received
The guarantees and counter-guarantees received represented advance guarantees, performance bonds and warranty guarantees to the benefit of Litostroj Power d.o.o. The guarantees received amounted to EUR 3,890 thousand as of 31 December 2019 (as of 31 December 2018: EUR 6,039 thousand).

e) Contingent liabilities

EPas guarantee Akbank
EPas has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 141,000 thousand loan to the company Bilsev for the construction of the Karakurt dam and related HPP. As of 31 December 2019, USD 133,821 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 the amount of 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 31 December 2019.

EPas guarantee Komercni banka a.s.
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 31 December 2019.

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 31 December 2019.

RH
RH issued guarantee letters amounting to EUR 1,669 thousand at 31 December 2019 (31 December 2018: EUR 972 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 3,290 thousand at 31 December 2019 (31 December 2018: EUR 325 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 31 December 2019 (31 December 2018: USD 120 thousand). Non-cash cover guarantee is for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export - Import").

LP Group

(EUR'000)	2019	2018
Guarantees given	27.987	31,428
Securities given	2.822	5,087
Bills of exchange issued	393	581
Letters of credit	2.550	2,604

Guarantees given

Guarantees given (bid bonds, advance guarantees, performance bonds, warranty guarantees, customs guarantees and guarantees for timely payments) were recognized by LP as of 31 December 2019 in the amount of EUR 20,835 thousand (31 December 2018: EUR 26,963 thousand), by the company LHI in the amount of EUR 5,319 thousand (31 December 2018: EUR 674 thousand) and by the company LE in the amount of EUR 1,833 thousand (31 December 2018: EUR 3,791 thousand).

Securities given

Securities were issued to the company LHI for the uninvoiced part of the projects due in 2019 and 2021.

Bills of exchange issued

On December 31, 2019, the parent company recognized bills of exchange issued in the total amount of EUR 393 thousand. (December 31, 2018: EUR 581 thousand)

Letters of credit

The letters of credit were disclosed by the parent company and represent framework loans intended for providing cover for projects in Canada and in Central America.

Disclosure of collaterals to banks of LP Group:

LP

Agreement on the pledge inventory (supplies and equipment), has been established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. Supplies and equipment comprises merchandise for sale, which is either (i) produced for sale (finished goods), or (ii) is in an intermediate stage of production (intermediate), or (iii) is a component intended to form, or (iv) which is used in the production process as a raw material, or (v) other materials or excipients, or (vi) is intended for self-consumption and certain equipment used by the company in the context of production or other activities.

Agreement on pledge of receivables is established with the purpose of securing the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as a Security Agent. As collateral for the secured obligations the company establishes the insurance over claims against debtors and all secondary rights and claims arising from contracts or for them, including any due and unpaid principal or interest, every insurance instrument issued as collateral for receivables and every right derived from any other possible forms of insurance and secure the payment of receivables by the debtors.

Mortgage agreement is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of first rank on the pledged property - all property owned by the company.

Agreement on the Establishment of the bank accounts pledge is established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, as, as Security Agent, on company's open accounts and issued bills of exchange statements and bills of exchange for each bank account.

LE

Mortgage agreement is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of first or second rank on the pledged property - all property owned by the company.

Share Pledge Agreement is established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. Obligations are secured by the establishment of a first order pledge on the entire (100%) equity share in the company LE. The pledger is the owner of the company.

Agreement on pledge of receivables is established with the purpose of securing the timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as a Security Agent. As collateral for the secured obligations the company establishes the insurance over claims against debtors and all secondary rights and claims arising from contracts or for them, including any due and unpaid principal or interest, every insurance instrument issued as collateral for receivables and every right derived from any other possible forms of insurance and secure the payment of receivables by the debtors. This agreement is composed by Bank Account Receivables and Movables Agreement.

LHI

Mortgage agreement (Deed of Hypotec), is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of second rank on the pledged property - all property owned by the company.

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 December 31, 2019 amounted to EUR 13,977 thousand (December 31, 2018: EUR 13,977 thousand). The Management is unable to predict when energy facilities that are not redeemed by December 31, 2019 will be purchased.

As at December 31, 2019 a company from the EPV has entered into connection agreements for 118 connection facilities (December 31, 2018: 138 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 10.2 thousand (2017 - 2018: EUR 8.2 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 31 December 2019, and 31 December 2018, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

Additional information for leases

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 31 December 2019 (31 December 2018: 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 August 2017, the company entered into an annex to the office lease agreement, under which the term of the lease was extended until September 30, 2020.

Annual payments under this contract is as follow:

EUR '000	**Up to 1 year**	**between 2 and 5 years**
Total annual rent	413	-

As at December 31, 2019, 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 2018: 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	172	515

As at December 31, 2019, to 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 52 thousand and third company has secured the obligation with cash deposit in the amount of EUR 6 thousand. (31 December 2018: EUR 52 thousand).

30. 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.

The uncertainties associated with the restart of the economy have had a profound impact on the business environment, both on the global and domestic markets. Constant changes in the international business environment and the internationalization of sales and production capacities increase our exposure to various types of risks. Risk management has gained additional importance in the new operating circumstances. It is becoming increasingly important for the company's long-term development and growth to identify and respond to potential threats by preparing corrective measures in advance to protect the company from potential and/or detected risks. Reducing our exposure to risks is a clear goal of the company. The assessment, prediction and management of risks in all business areas falls within the responsibility of all stakeholders within the company and is part of the everyday work process.

Business risks. Business risks comprise the risks associated with the capability of a company to create short- and long-term operating revenues, to control operating costs and expenses and operating liabilities and to maintain the value of its assets.

Our external risks are risks associated with macroeconomic developments in the key electricity markets and with unstable political situation on certain electricity markets. Diversifying our operations around the globe is thus a logical necessity and our way of managing the external risks. Because of slow recovery of the economy, we believe that our external risks are at a moderate level.

Investment risks are managed through economic planning, through careful planning and realization of investment projects and by monitoring the effects of investments. We assess our exposure to investment risks to be at a moderate level.

In recent times, our sales risks have been strongly associated with low electricity market prices and spreads, and with emerging new direct and indirect suppliers and providers of services, and new sales channels. This has resulted in increased competition for tendered projects. In addition, our sales risks are associated with the market strategy and firm negotiating position of major customers. We have managed these risks through adequate marketing activities and a great number of customers, by diversifying our products and services and by constant improving technical characteristics. We believe our exposure to technical risks to be moderate.

Asset and liability risks. Asset and liability risks pertain to the management of asset and transport risks and risks arising from liability for our activities. We systematically lower our key asset and liability risks by passing them on to insurance companies and business partners. In addition to property insurance (movable and immovable property), we also have combined liability insurance that covers general liability with extensions, product liability, employer's liability, and environmental liability. We believe that our exposure to asset and liability risks is not an issue.

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

(EUR'000)	**2019**	**2018**
Non-current financial assets		
- Restricted bank deposit	6,408	1,184
Other current assets		
- Blocked deposit	-	93
Trade and other receivables		
- Trade receivables	113,629	133,344
Issued loans		
- Loans issued	2,612	1,226
Cash and cash equivalents		
- Bank balances payable on demand	133,182	55,872
of which Restricted cash	99,576	-
Total	**255,915**	**191,179**

Several departments and processes are systematically and actively involved in the credit risk management process, and employees constantly monitor the performance and financial situation of individual business partners and take suitable measures to limit our exposure to them. Taking into consideration our business policy, we believe that the company is exposed to relatively moderate credit risk.

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

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

Insolvency risk. Insolvency risk is the risk of running into problems that will cause the company to be unable to settle its short-term and long-term liabilities. We manage our exposure to short-term insolvency risk by maintaining an active solvency management policy, carefully planning cash flows, managing costs to prevent mismatches of inflows and outflows, managing credit risk to ensure the prompt payment of receivables, matching the maturities of assets and liabilities, diversifying the maturities of liabilities and providing for credit lines that enable funds to be drawn down according to the needs. We assess the company's exposure to insolvency risk to be at a moderate level.

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 2019 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

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

	31 December 2019			**31 December 2018**		
(EUR'000)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
USD *)	22,758	131,332	(108,574)	19,002	90,016	(71,014)
EUR	331,233	811,507	(480,274)	233,003	664,978	(431,975)
RON *)	-	-	-	570	-	570
TRY *)	22,304	1,919	20,385	4,512	3,138	1,374
GBP *)	-	-	-	1	-	1
CAD *)	-	-	-	1,345	5,365	(4,020)
Other currency *)	-	-	-	5,002	5,236	(234)
Total	376,295	944,758	(568,463)	263,435	768,733	(505,298)

*) Denominated in EUR

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

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

	31 December 2019	**31 December 2018**
(EUR'000)	**Impact on profit or loss**	**Impact on profit or loss**
US Dollar strengthening by 10%	(10,857)	(7,101)
US Dollar weakening by 10%	10,857	7,101
EURO strengthening by 10%	(48,027)	(43,198)
EURO weakening by 10%	48,027	43,198
RON strengthening by 10%	-	57
RON strengthening by 10%	-	57
TRY strengthening by 10%	2,039	137
TRY weakening by 10%	(2,039)	(137)
CAD strengthening by 10%	-	(402)
CAD weakening by 10%	-	402

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

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

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

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

The tables below show liabilities at 31 December 2019 and at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	26,444	807,585	162,058	**996,087**
Trade and other payables	113,217	323	-	**113,540**
Other non-current financial liabilities	-	2,757	-	**2,757**
Other current liabilities	28,311	(17,908)	-	**10,403**
Issued Bonds	8,401	614,205	-	**622,606**
Total future payments, including future principal and interest payments	**176,373**	**1,406,962**	**162,058**	**1,745,393**

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

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	12,586	40,113	75,825	**128,524**
Trade and other payables	117,249	-	-	**117,249**
Other non-current financial liabilities	-	4,785	7,327	**12,112**
Other current liabilities	15,032	68	-	**15,100**
Issued Bonds	26,050	463,000	262,150	**751,200**
Total future payments, including future principal and interest payments	**170,917**	**507,966**	**345,302**	**1,024,185**

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

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

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

31. 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 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**

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

(EUR'000)	**Carrying amount**	**Fair Value**	Interest	**Total Fair Value**
4% Notes due 2022	366,077	356,623	974	**357,597**
4.5% Notes due 2024	255,023	226,942	7,428	**234,370**
Total	**621,100**	**583,565**	**8,402**	**591,967**

32. Events after the Reporting Period

EPV
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. Both companies are 100% owned by EPV.

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.

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

EPas
In April 2020, EPas and Sberbank CZ, a.s. signed an amendment to a revolving credit facility agreement with respect to increase of the amount of the facility from EUR 10,000 thousand to EUR 12,000 thousand.

Management Assessment of the current situation as of May 2020

In March 2020, the World Health Organization confirmed the novel coronavirus ("COVID-19") as a global pandemic. There is uncertainty over the magnitude of the global economic slowdown that will result from this pandemic and its impact on the markets where we operate. The Group is monitoring the impact of coronavirus (COVID-19) outbreak on its business, customers and employees and follows the official guidance introduced by the various national governments to safeguard its people and to maintain business continuity. A further spread of COVID-19 in the countries in which we operate, and globally, is expected to have a negative impact on the economy, however it is too early to fully understand the impact this may have on the Group's business. The Group considers coronavirus (COVID-19) outbreak to be a non-adjusting post balance sheet event.

This annual report and the related financial statements were approved for issue and signed on behalf of the Company Executive director and the Group's management on 30 June 2020.

Mr. Jaromír Tesař
Company Executive Director
DK Holding Investments, s.r.o.