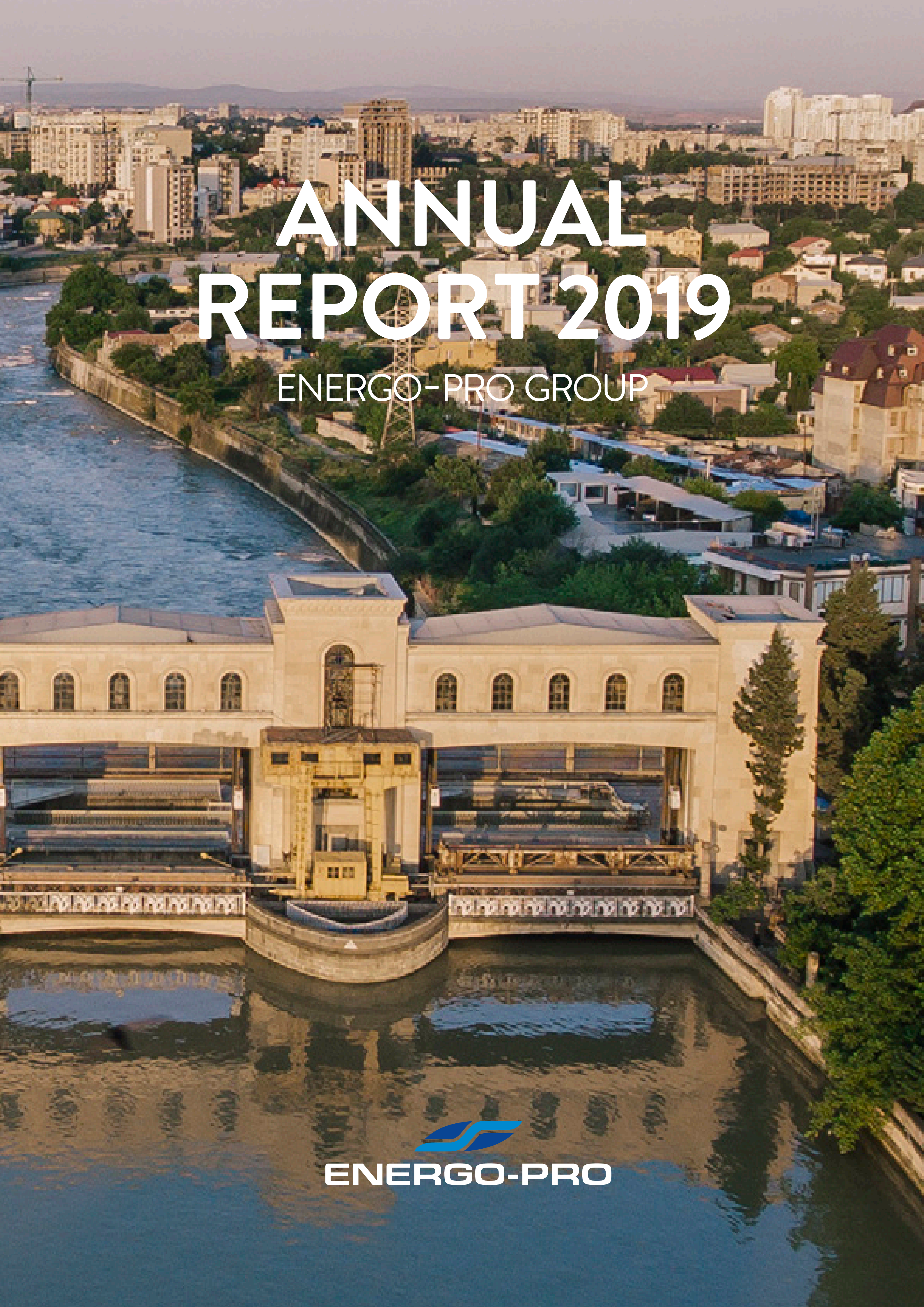
ANNUAL REPORT 2019

ENERGO-PRO GROUP



ENERGO-PRO


"WORKING IN
COMPLIANCE
WITH NATURE"

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of ENERGO - PRO a.s. 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 ENERGO - PRO a.s. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 5 April 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 Board of Directors is responsible for the other information.

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

Building a better working world

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 Board of Directors and Supervisory Board for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Board of Directors.

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

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

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

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

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

Jiří Křepelka, Auditor
License No. 2163

8 April 2020
Prague, Czech Republic

INTRODUCTION BY CHAIRMAN OF THE BOARD OF DIRECTORS

LADIES AND GENTLEMEN,

As we approach the new decade, let me make a short look back at the past decade in the renewable field and the global energy transformation. The period has seen strong growth in the deployment of renewable energy technologies. Total renewable power capacity has been growing at a consistent pace and the number of countries integrating high shares of variable renewable energy continues to rise all around the world.

Renewables now make up more than one-third of global installed power capacity and in general, these sources gradually replace conventional sources. This is due to stable policy initiatives along with decreasing costs and technological advancements. Renewable energy targets are in place both in developed and developing countries and several jurisdictions make their existing targets more ambitious every year.

Hydropower belongs to the cleanest sources of electricity and is expected to remain the world's largest source of renewable electricity generation. The power sector, the largest source of global greenhouse gas emissions, plays a crucial role in cutting emissions to meet the challenge of climate change which we are facing every day. Renewable hydropower sources have a key role in reducing the world's dependence on fossil fuels and avoiding harmful air pollutants.

ENERGO-PRO Group offers a tangible solution for reducing greenhouse gas emissions and ensuring the security of electricity supply in our countries of operations. Despite the unpredictability of nature, the Group delivered a stable financial performance in 2019. The effective business strategy together with the strong management of the Group continued in fulfilment of our sustainable values – WORKING IN COMPLIANCE WITH NATURE - while countering the constantly changing energy market.

Let me also briefly mention the main highlights by our countries of operation:

Bulgaria

Legislative and regulatory changes introduced in 2019 brought a positive impact on our Bulgarian companies. New tariffs were approved, and the market liberalization continued. Our distribution business recorded significant financial result and thus made 2019 the best year historically (since 2012 when the distribution company was acquired by ENERGO-PRO Group). The generation company reached stable financial results as lower production outcome due to decreased volumes of water in the whole country was fully offset by growing electricity prices. Both entities continued in planned investment projects of on-going modernization of their assets.

Georgia

Our Georgian businesses were facing several factors which negatively influenced their performance. The results of the distribution business were lower due to delayed liberalisation of high voltage customers, consumption of electricity during summer was lower due to colder weather and availability of cheaper electricity was limited, this factor increased purchase power costs of the distribution business. Georgia also experienced dry year in terms of hydrology, therefore the generation results were lower than the long-term forecast.

Turkey

Our Turkish company experienced an improvement in its generation outcome as the hydrology was better than in the previous two years. The total production in our facilities reached almost average results in line with the long-term forecasts.

Therefore, the overall financial outcome of hydropower business was positive as power generation in Turkey fully offset the decline of hydropower business in Georgia.

Group Mission

I would like to express my sincere gratitude to the employees of ENERGO-PRO Group. The staff made the most important contribution to our results and development that I mentioned above. I am proud that we all were able to navigate the course of success and I believe we will conclude future years by similar words.

Mr. Jaromír Tesař
Chairman of the Board of Directors

01

ENERGO-PRO GROUP AT A GLANCE

ENERGO-PRO GROUP AT A GLANCE

Mission

Working in Compliance with Nature.

Vision

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

Presence in countries

Czech Republic / Bulgaria / Turkey / Georgia

Profile

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

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

Core Values

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

ENERGO-PRO GROUP
Facts and Figures

- ≈ Established in 1994 in Svitavy, Czech Republic
- ≈ Main focus on Central and Eastern Europe, the Black Sea and the Caucasus
- ≈ The largest utility in Georgia and the largest privately-owned generator of renewable energy in Bulgaria
- ≈ Total installed capacity of 853 MW (34 hydropower plants with installed capacity of 743 MW and a gas turbine power plant with installed capacity of 110 MW)
- ≈ Environmentally-friendly power generation of 2.5 TWh in 2019 (with 96% of electricity generated from hydropower sources)
- ≈ Serving to 2.3 million grid customers with 10.5 TWh of electricity distributed in Georgia and Bulgaria
- ≈ Over 9,000 employees in 4 countries
- ≈ Engaged in international power trading

Core activities and specialisation

Power generation

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

Electricity distribution

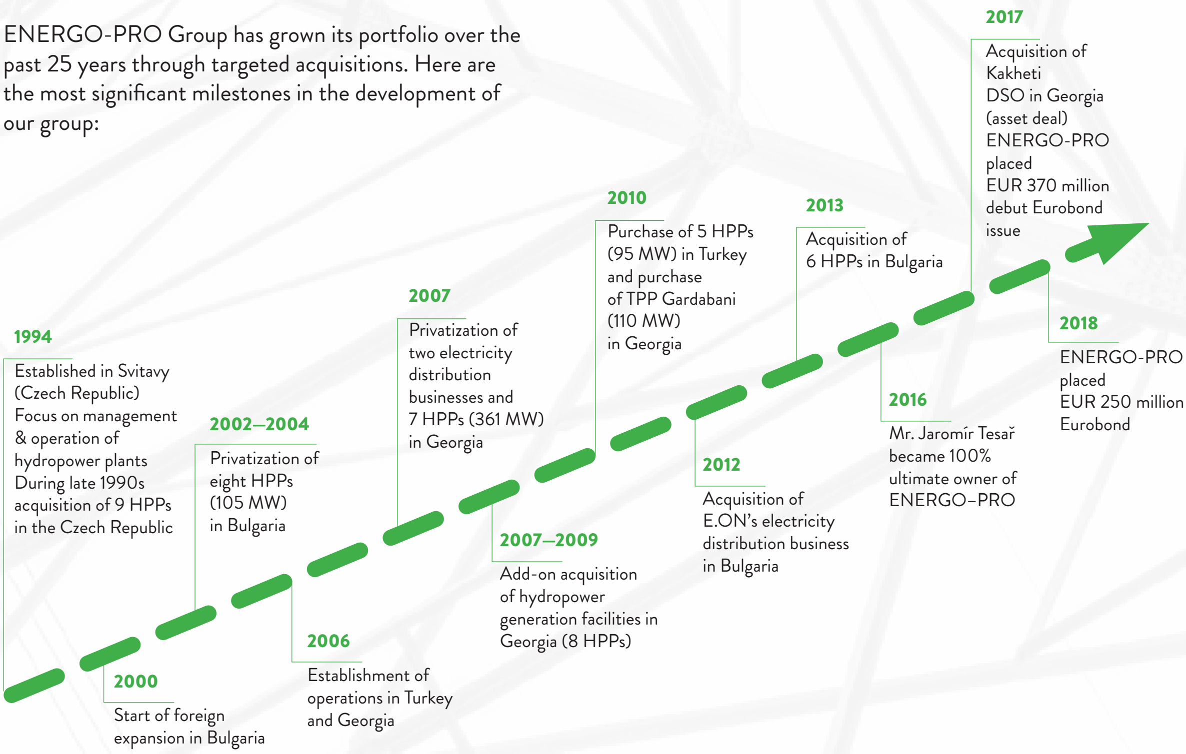
- Management of large distribution grids
- Provision of continuous supply and quality of electricity to a large number of customers
- Network modernization, planning and optimization

Power trading

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

Historical milestones

ENERGO-PRO Group has grown its portfolio over the past 25 years through targeted acquisitions. Here are the most significant milestones in the development of our group:



SIONI HPP, GEORGIA

Sioni HPP is a medium-head HPP with a small land dam. Sioni reservoir and Sioni HPP represent the initial structure of the upper Samgori irrigation system. Sioni HPP was put into operation in 1964, and its installed capacity is 9.0 MW

Strategic priorities

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

ENHANCING GENERATION AND DISTRIBUTION ASSETS

Distribution & supply

Carrying out various rehabilitation and re-metering projects throughout ENERGO-PRO Group's coverage area

- ≈ Reducing commercial grid losses
- ≈ Improving the distribution network
- ≈ Improving the quality of the electricity supply

Hydro generation

Cost-effective rehabilitation and modernisation program

- ≈ Increasing the efficiency of hydropower plants
- ≈ Improving the reliability and safety of hydropower plants
- ≈ Prolonging the service lifetime of hydropower plants

FURTHER INCREASING FINANCIAL STABILITY AND FLEXIBILITY

- ≈ Effective cost control across the Group
- ≈ Increased financial stability of the Group
- ≈ More flexibility in raising capital and deploying funds to strategic projects

GROWTH THROUGH SELECTIVE ACQUISITIONS AND DEVELOPMENT

- ≈ Leveraging operational expertise and knowledge of the markets in which the group currently operates to pursue selective acquisitions
- ≈ Diligent and disciplined approach with regard to the strategic fit, purchase price and achieving synergies
- ≈ Strong focus on attractively-priced, quality assets disposed of due to a strategic re-focus or distress of their owners

Research and development

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

Environmental protection

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

Labour relations

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

Social Responsibility

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

Other

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

The financial position of the Group for the year ended 31 December 2019 is presented in the Consolidated Financial Statements that form an integral part of this annual report.


ENERGO-PRO

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FINANCIAL AND OPERATIONAL HIGHLIGHTS ENERGO-PRO GROUP

FINANCIAL AND OPERATIONAL HIGHLIGHTS ENERGO-PRO GROUP

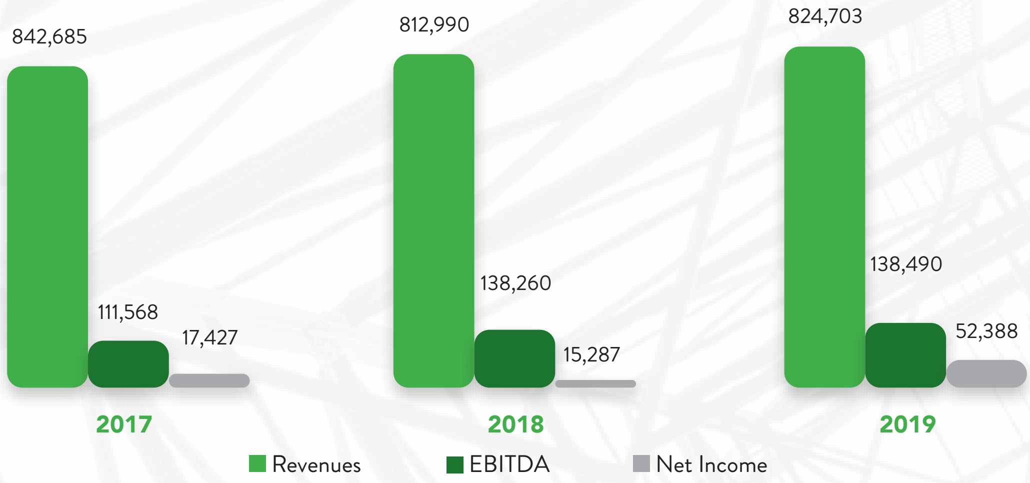
Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

ENERGO-PRO Group Highlights

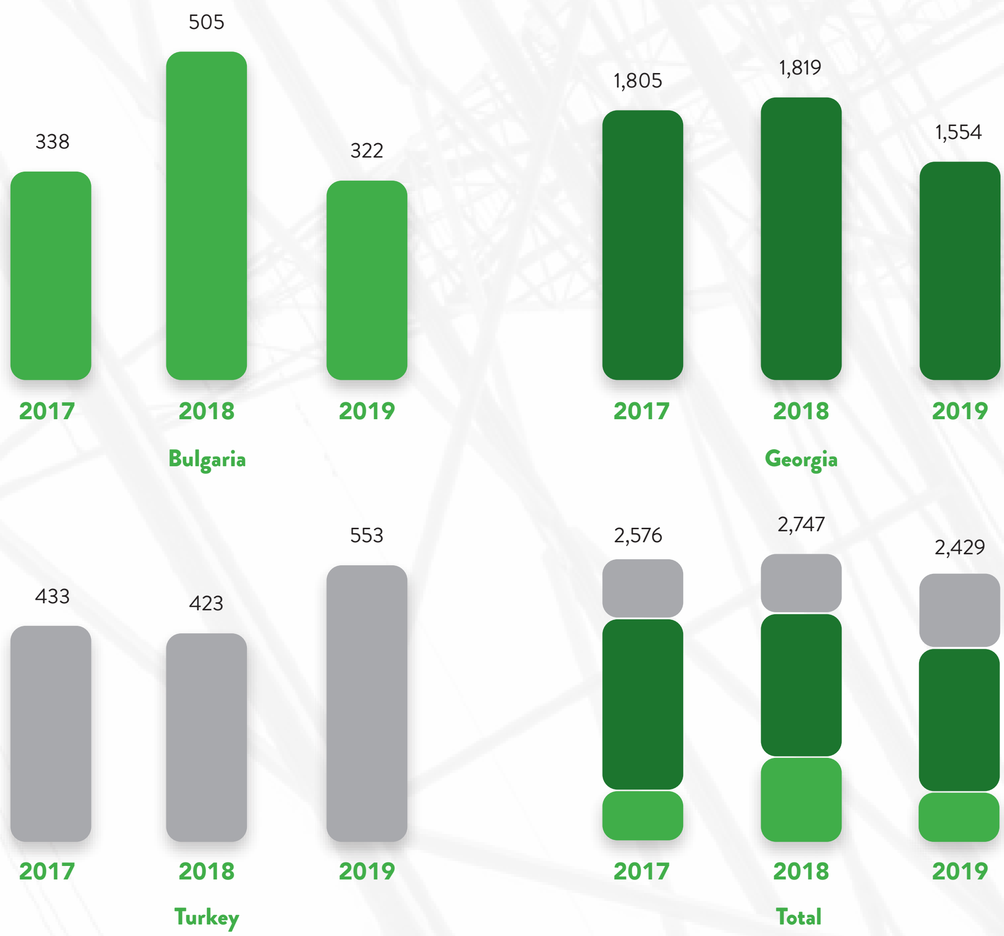
EUR ('000)	2017	2018 Restated	2019
Total Revenues	842,685	812,990	824,703
EBITDA	111,568	138,260	138,490
EBITDA Margin (%)	13.2%	17.0%	16.8%
Income before Tax	17,987	16,640	61,892
Net Income	17,427	15,287	52,388
Net Income Margin (%)	2.1 %	1.9%	6.4%
Total Assets	997,802	1,044,025	1,108,257
Property, Plant and Equipment	452,416	459,854	479,573
Cash & Cash Equivalents	43,366	44,419	16,589
Total Debt	594,050	621,135	638,430
Total Equity	222,823	265,920	306,460
Capital Expenditure	54,225	65,145	71,866
Generation of electricity (GWh)*	2,626	2,810	2,528
Supplied electricity (GWh)	10,718	11,452	10,839
Number of customers	2,264,342	2,410,760	2,293,370
Number of employees	8,843	8,971	9,210

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

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



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



REHABILITATION OF DISTRIBUTION GRID IN GEORGIA

03

BUSINESS ACTIVITIES

ENERGO-PRO IN BULGARIA

ENERGO-PRO VARNA EAD

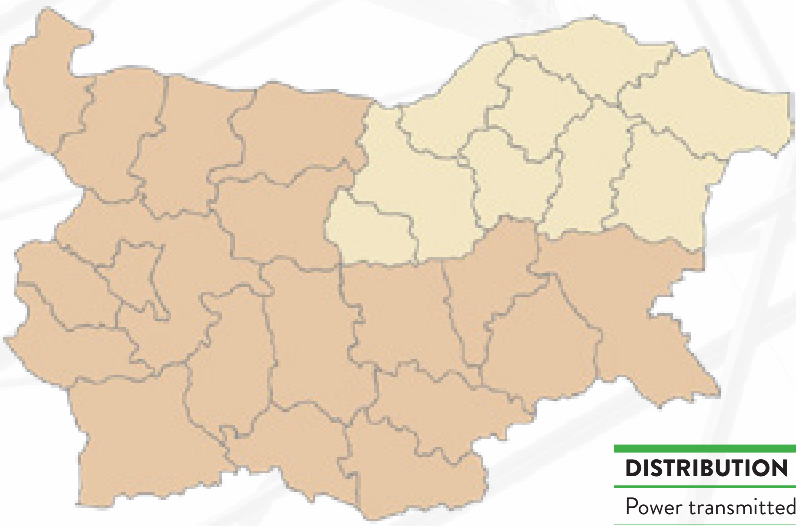
At the end of June 2012 ENERGO-PRO a.s. purchased the distribution company operating in North-eastern Bulgaria and thus acquired companies holding licences for the following activities in the energy sector and forming ENERGO-PRO Varna EAD ("EP Varna"):

EP Varna has the following subsidiaries:

- ≈ Distribution of electricity – **Electrodistribution North AD** (regulated market)
- ≈ Electricity supply – **ENERGO-PRO Sales AD** (regulated market)
- ≈ Electricity supply - **ENERGO-PRO Energy Services EOOD** (non-regulated market)
- ≈ Electricity trading – **ENERGO-PRO Trading EAD** (non-regulated market)[1]

The licenced territory of Electrodistribution North AD ("Electro North") and ENERGO-PRO Sales AD ("EP Sales") is nearly 30,000 square kilometres and covers nine administrative regions in North-eastern Bulgaria - Varna, Veliko Tarnovo, Gabrovo, Dobrich, Razgrad, Ruse, Silistra, Targovishte and Shumen. Electro North's main business activities are the operation of the electricity distribution grid (middle and low voltage) and distribution and supply of electricity. The total length of the distribution network is 43,026 km, with 6.5 TWh of supplied electricity for 2019. EP Sales supplies electricity to more than one million customers and provides related services. ENERGO-PRO Energy Services EOOD ("EP Energy Services") sells electric power at freely negotiated prices and is one of the leading suppliers on the liberalised market. The company has long-standing experience and was among the first traders registered on the Bulgarian electricity market. At the beginning of July 2012, the company's licence to trade in electricity was supplemented with the rights and obligations of the business coordinator for the standard balancing group. ENERGO-PRO Trading EAD ("EP Trading"), member of EP Varna since January 4th, 2019, trades with electricity on non-regulated market.

EP Varna – Distribution Business



Distribution network coverage

DISTRIBUTION BUSINESS
Power transmitted: 6.1 TWh
Area covered: 30,000 sq km
Network length: 43,026 km

[1] On February 17th, 2020, ENERGO-PRO Trading EAD was merged with ENERGO-PRO Energy Services EOOD (please find Note 33 - Events after the Reporting Period in the financial part of this Annual Report).

Financial and Operational Highlights of EP Varna

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

EP Varna Highlights

(EUR '000)	2017	2018 Restated	2019
Total Revenues (incl. Other Income)	499,301	443,007	469,642
EBITDA	40,518	61,418	69,657
Income before Tax	13,987	35,971	48,484
Net Income	12,086	30,105	43,500
Total Assets	304,526	307,596	276,736
Total Equity	100,933	151,493	193,257
Capital Expenditure	14,016	18,447	23,005
Distributed electricity (GWh)*	5,676	5,817	5,645
Supplied electricity (GWh)**	5,823	6,036	6,459
Number of customers**	1,074,379	1,197,090	1,056,357
Number of employees	2,335	2,302	2,347

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

Business Overview & Key Figures of EP Varna

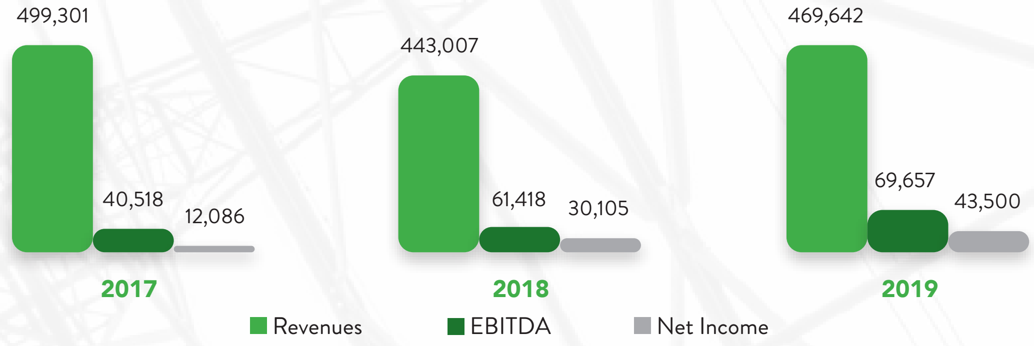
A substantial part of EP Varna's revenues has been generated from the supply and distribution of electricity on the regulated market. Therefore, its activities and development are dependent on the decisions of the Energy and Water Regulatory Commission ("EWRC") with respect to prices in the energy sector.

The second year of the fifth regulatory period has started on July 1st, 2019. The duration of the sixth regulatory period is 3 years. The year 2020 will be a basis year for the next sixth regulatory period, which will start on July 1st, 2021.

EP Varna posted excellent financial results in 2019 with the positive impact of increased distribution tariffs since July 1st, 2019. Consolidated revenues for 2019 amounted to EUR 469.6 million and EBITDA to EUR 69.7 million which increased about EUR 8.2 million in comparison to the previous period. During 2019, EP Varna supplied total electricity volume of 6,459 GWh and revenues from electricity sold amounted to EUR 458.5 million.

The 2019 grid electricity losses were 7.2%, a decrease of 0.8% in comparison to the previous period.

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

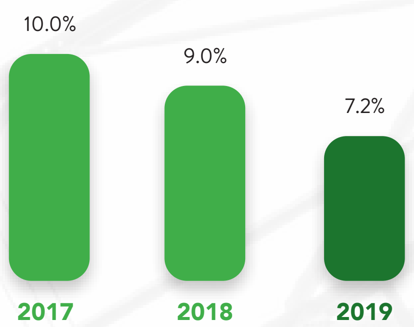


Realized Investment & Outlook of EP Varna

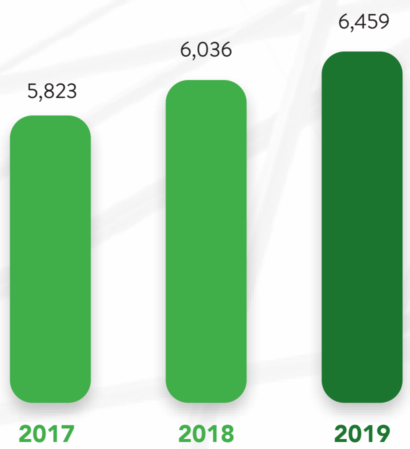
Investments in 2019 were focused on reducing the commercial grid losses, improving the distribution network, the quality of the electricity supply as well as compliance with the legal obligations. EP Varna's total investments in 2019 amounted to EUR 23.0 million, of which more than seventy per cent were related to the improvement of the grid, meter replacements and new customer connections.

EP Varna Group further plans to increase the maintenance program and the operation efficiency next year. Specifically, the lean IT project will be implemented which shall bring full technological harmonization within EP Varna companies, thus reducing the huge effort of support, updates and related costs behind.

EP Varna – Grid electricity losses (%)



EP Varna – Supplied volume of electricity (GWh)



ENERGO-PRO BULGARIA EAD

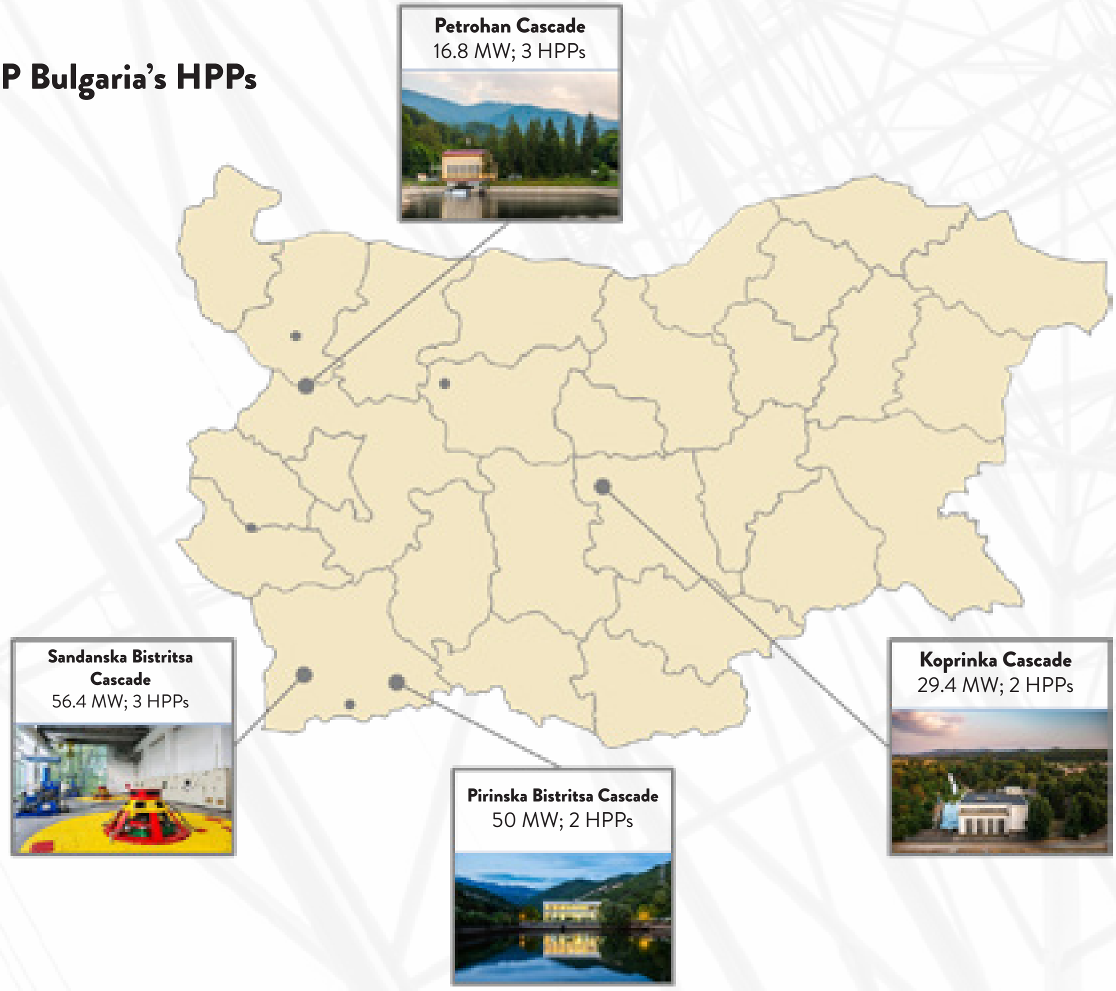
With a total installed capacity of 166 MW and annual production of 322 GWh for 2019, ENERGO-PRO Bulgaria EAD ("EP Bulgaria") is the largest private producer of electricity from hydropower plants in Bulgaria. The company is also the largest private producer of renewable energy in the country.

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

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

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

EP Bulgaria's HPPs



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

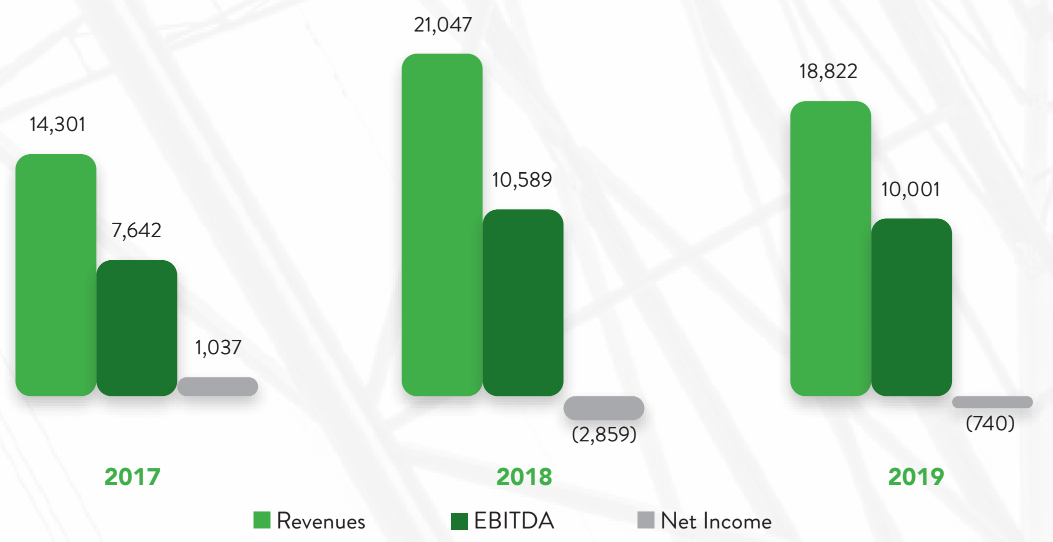
Financial and Operational Highlights of EP Bulgaria

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

EP Bulgaria Highlights

(EUR '000)	2017	2018	2019
Revenues	14,301	21,047	18,822
EBITDA	7,642	10,589	10,001
Income before Tax	1,347	(2,813)	1,585
Net Income	1,037	(2,859)	(740)
Total Assets	89,142	82,303	77,283
Total Equity	35,226	78,607	72,968
Capital Expenditure	3,541	1,393	2,951
Generation of electricity (GWh)	338	505	322
Number of employees	157	145	132

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



Business Overview & Key Figures of EP Bulgaria

In line with the policy of market liberalization, new legislative changes were introduced in 2019 with the important impact on EP Bulgaria. Renewable producers with installed generating capacity above 1 MW are obliged to sell electricity on Organized Power Exchange Market (“IBEX”[1]). All hydropower plants of EP Bulgaria realize its sales via this platform as of July 1st, 2019. The previously applied feed-in-tariff was replaced with the “contract for premium” pricing mechanism. National Electric Company ceased to be a single buyer and electricity is sold on IBEX or to a balancing coordinator at market prices and the compensatory premium is paid by the Electricity Security Fund.

The unfavourable hydrological conditions valid for the whole region caused decreased production volumes in all generation facilities of EP Bulgaria. The total amount of generated electricity was 322 GWh. The figure was more than a 25% below the previous year’s generation result. These factors were fully compensated by increased electricity market price, thus the company reached a stable financial result compared to last year.

Realized Investment & Outlook of EP Bulgaria

EP Bulgaria invested more than EUR 3.0 million in rehabilitation and modernisation projects, in accordance with its long-term capital expenditure plan with the aim to secure the necessary modernization and safety of operations. The most important projects in 2019 were related to the ongoing rehabilitation of Koprinka Cascade - the rehabilitation of Unit 2, Stara Zagora hydropower plant was successfully commissioned and the unit was put into operation during the third quarter of 2019.

EP Bulgaria will continue with the implementation of its capital expenditure plan during next year, namely with the modernization of Koprinka Cascade which will be fully completed in 2020. EP Bulgaria plans to generate 456 GWh in 2020 subject to an average long-term hydrological condition.

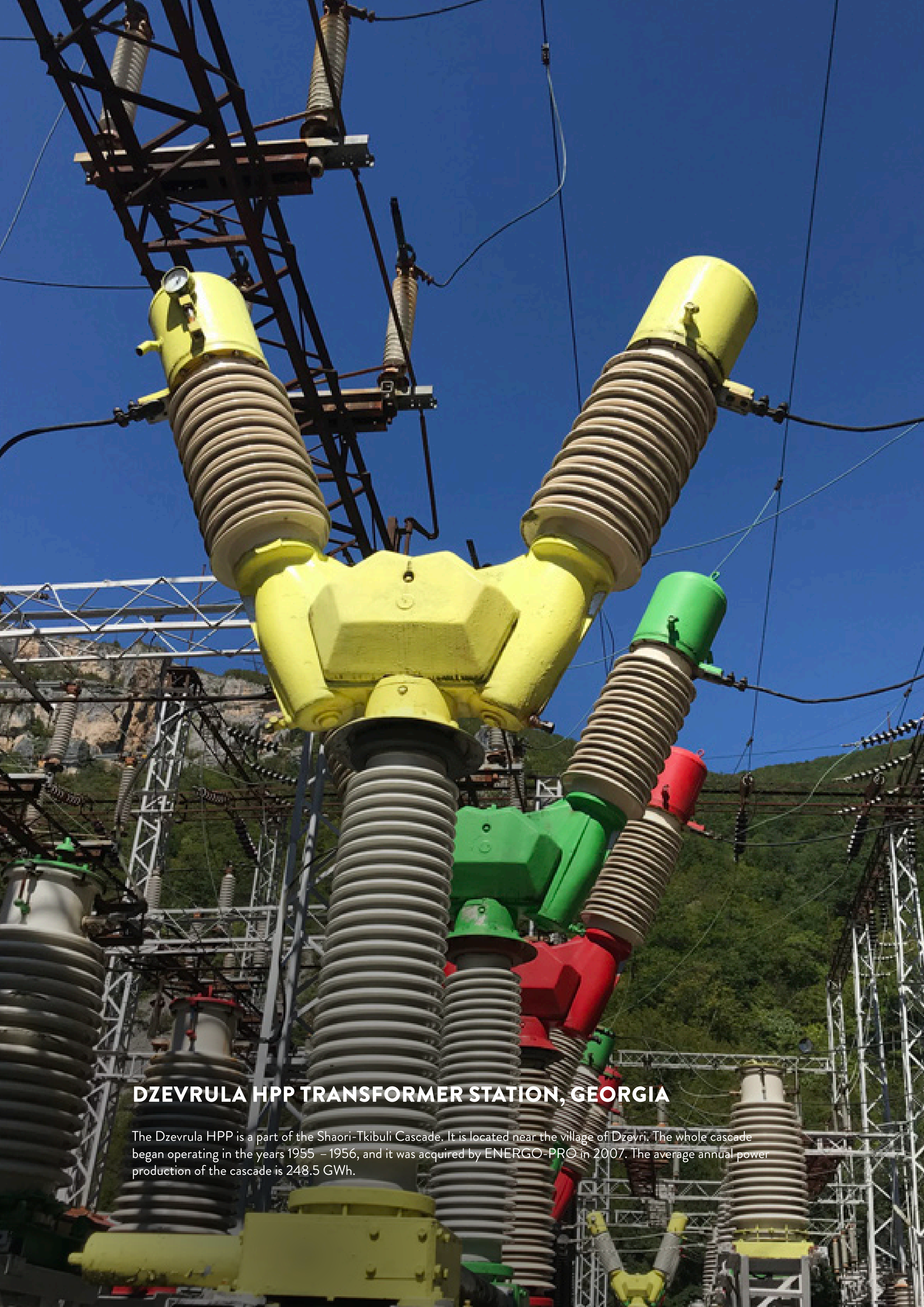
EP Bulgaria – Generation of electricity (GWh)

[1] IBEX was established in January 2014 to form and develop an organised electricity market in Bulgaria based on the principles of transparency and non-discrimination. The efforts of IBEX are aimed entirely at providing a reliable, transparent and competitive electricity trading platform to enable market participants to enter into transactions through a variety of organised market products (such as day-ahead market, centralised market for long-term bilateral contracts, intraday market).

SANDANSKA BISTRITSA CASCADE, BULGARIA

The cascade of hydropower plants is located near the spa town of Sandanski at the foot of the Pirin Mountains in the southeast of Bulgaria. The cascade consists of three high-pressure hydropower plants with accumulative function with a total installed capacity of 56.4 MW. A natural waterfall is situated in the vicinity of the Popina Laka Hydropower Plant.

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



DZEVRULA HPP TRANSFORMER STATION, GEORGIA

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

ENERGO-PRO IN GEORGIA

ENERGO-PRO GEORGIA JSC

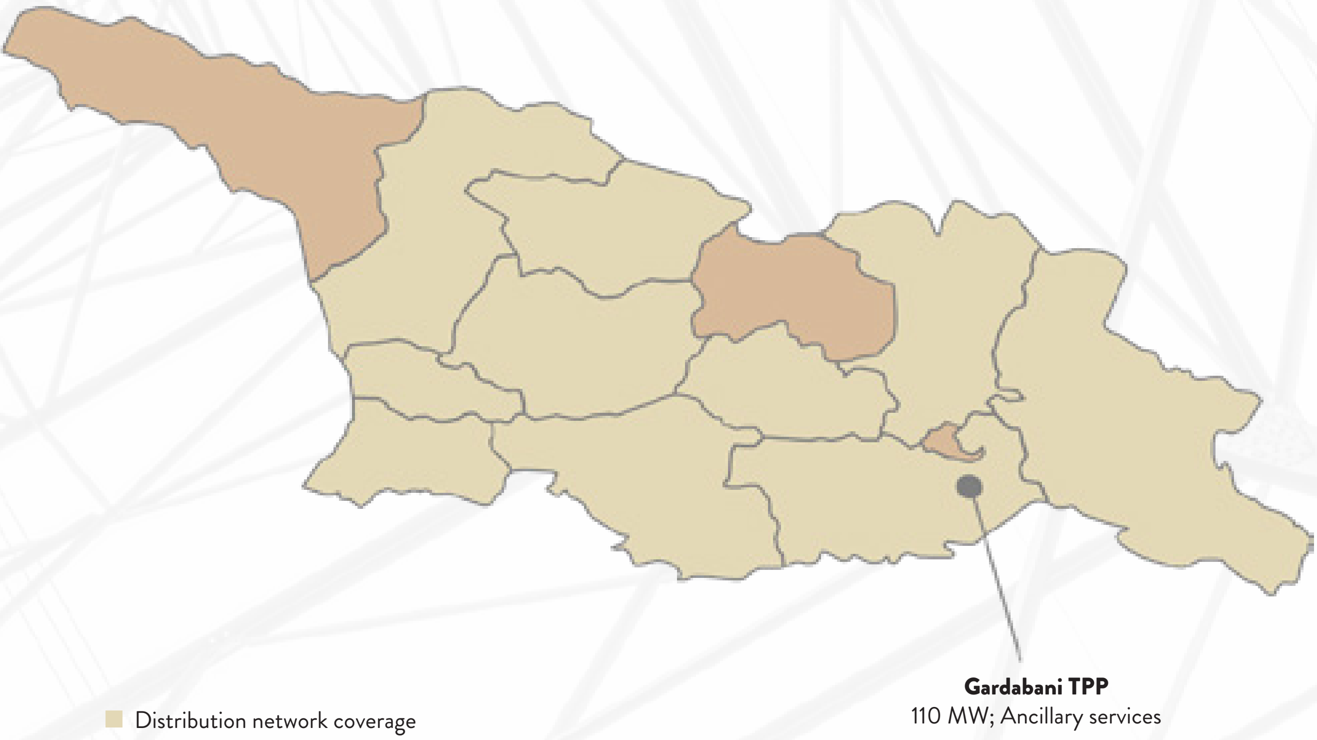
In terms of the number of customers served, and sales and service territory, ENERGO-PRO Georgia JSC ("EP Georgia") is the largest energy company in Georgia. Since its establishment in 2006 the company has engaged in electricity distribution and currently provides a reliable power supply to more than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

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

EP Georgia has the following subsidiaries:

- Ancillary services – gas turbine power plant – **LLC gPower**
- Dormant company – **LLC Zoti Hydro**[1]

EP Georgia – Distribution Business



Distribution network coverage

DISTRIBUTION BUSINESS
Power transmitted: 5.4 TWh
Area covered: 58,847 sq km
Network length: 54,500 km

[1] On February 11th, 2020, LLC Zoti Hydro was officially liquidated (please find Note 33 - Events after the Reporting Period in the financial part of this Annual Report).

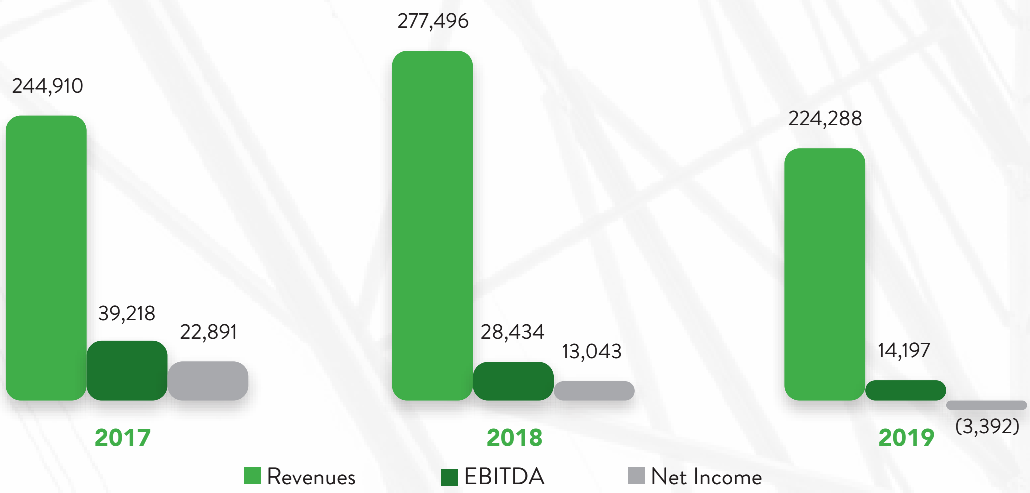
Financial and Operational Highlights of EP Georgia

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

EP Georgia Highlights

(EUR '000)	2017	2018 Restated	2019
Revenues	244,910	277,496	224,288
EBITDA	39,218	28,434	14,197
Income before Tax	22,891	13,043	(3,392)
Net Income	22,891	13,043	(3,392)
Total Assets	243,699	227,831	227,274
Total Equity	148,266	157,500	147,326
Capital Expenditure	26,905	32,887	34,532
Distributed electricity (GWh)	5,068	5,590	4,828
Supplied electricity (GWh)	4,895	5,416	4,380
Number of customers	1,189,963	1,213,670	1,237,013
Number of employess	5,463	5,514	5,690

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

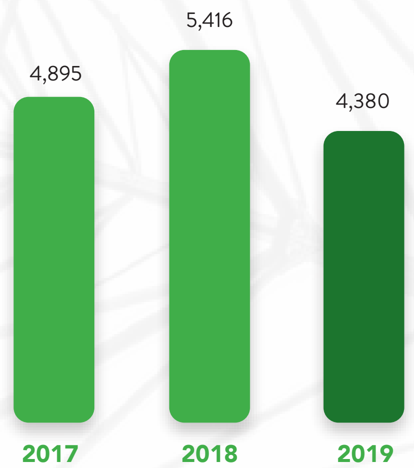


Business Overview & Key Figures of EP Georgia

The Georgian energy sector continued to undergo fundamental changes. Following the signature of Energy Community Charter in October 2016, Georgia approved the new Law on Energy and Water Supply ("the Law") and the Law on Renewable Energy Sources in December 2019 and laid down the foundation to reform its energy sector in line with the Energy Community Treaty and European energy law. The new Law will launch the development of an independent, competitive and liquid market, including the unbundling and certification of transmission and distribution system operators.

EP Georgia's business performance in 2019 mirrored the transforming environment in the energy market of the country. Overall performance of EP Georgia was lower than in the year 2018. The main contributors were the lower volume of distributed electricity (decreased domestic sales), one-year delayed liberalization (high-voltage customers were leaving EP Georgia's customers portfolio) and increased purchase power costs. Additionaly, the adverse movement of GEL/EUR exchange rate also impacted the financial results. Due to all these facts, the company's EBITDA reached EUR 14.2 million which is almost half less in comparison to the previous period.

EP Georgia – Supplied volume of electricity (GWh)



Realized Investment & Outlook of EP Georgia

Despite the facts mentioned above, EP Georgia continued with heavy investment projects in 2019 amounting to EUR 34.5 million. The most important were related to distribution grid rehabilitation, overhaul of the gas turbine (gPower) and new connection projects (with approximately 13,000 new customers). Other main projects included rehabilitation of metering knots and Scada system installation within the company.

In 2020, the approximate number of EP Georgia's new connections is estimated to reach 10,200 and the major part of new connections will remain residential buildings, hotels, shopping malls, etc. The company will continue in its commitments to implement key EU regulations and rules of the electricity market and energy efficiency and from the operational point of view to reach stable financial results.

DISTRIBUTION NETWORK, GEORGIA

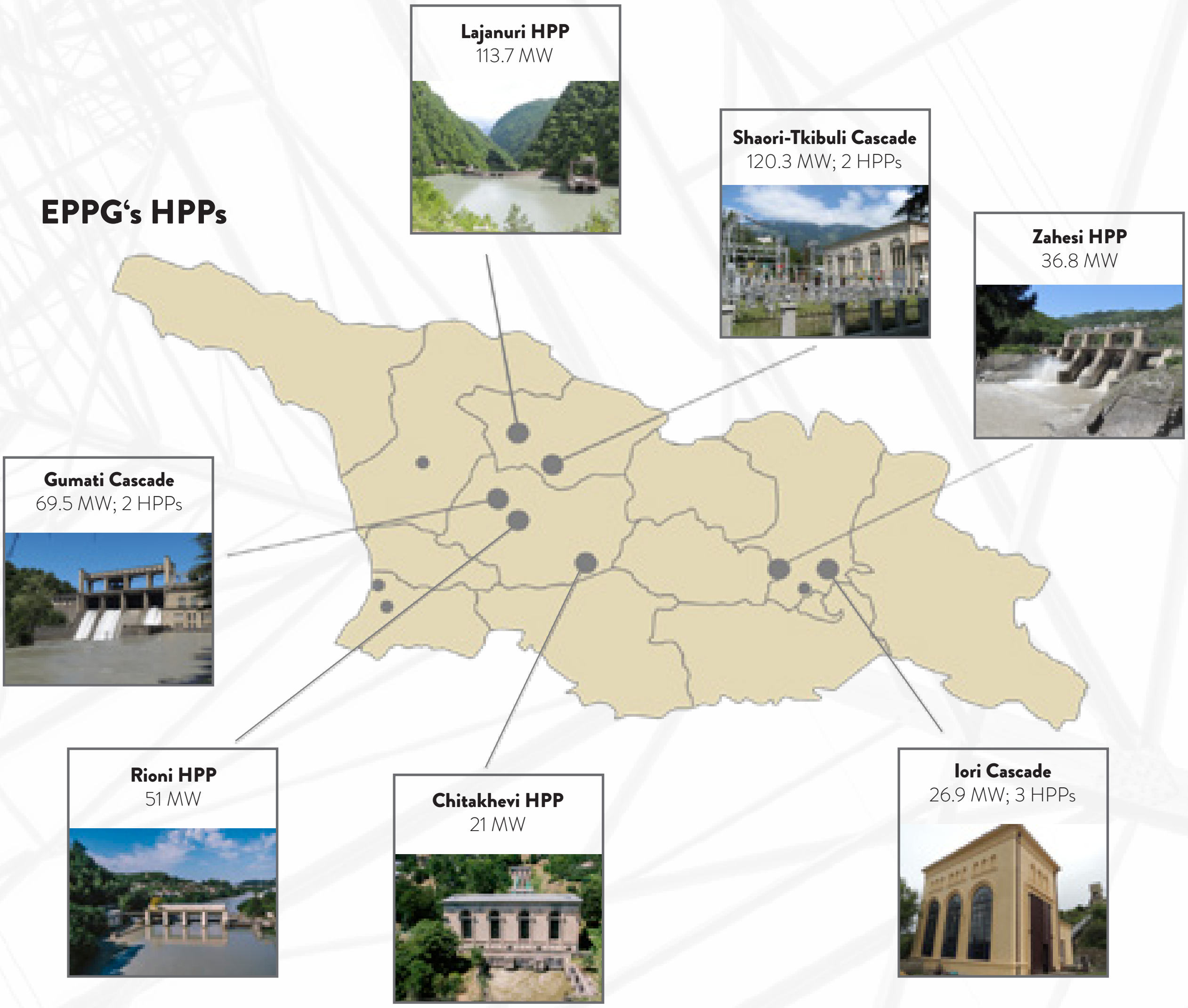
The distribution network is continuously rehabilitated and modernised in order to provide reliable and high-quality electricity supplies to the customers.


ENERGO-PRO

ENERGO-PRO GEORGIA GENERATION JSC

ENERGO-PRO Georgia Generation JSC ("EPGG") was incorporated on December 23th, 2016 after the reorganization of EP Georgia's assets. EPGG's principal activity is the generation of electricity from its portfolio of 15 hydropower plants with a total installed capacity of 482 MW and annual production of 1,554 GWh for 2019.

EPPG's HPPs



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

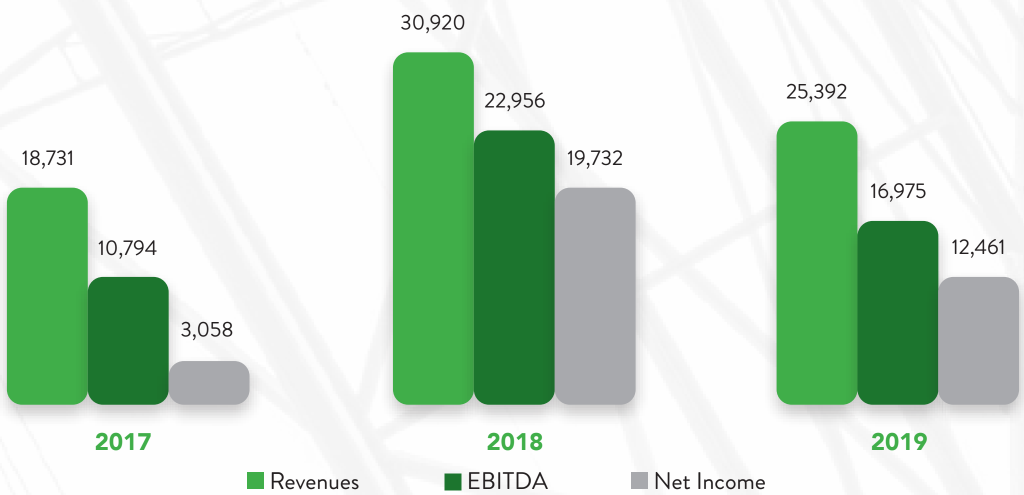
Financial and Operational Highlights of EPGG

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

EPGG Highlights

(EUR '000)	2017	2018	2019
Revenues	18,731	30,920	25,392
EBITDA	10,794	22,956	16,975
Income before Tax	3,058	19,732	12,461
Net Income	3,058	19,732	12,461
Total Assets	90,632	99,927	109,358
Total Equity	54,840	74,679	83,686
Capital Expenditure	5,190	8,245	9,244
Generation of electricity (GWh)	1,805	1,819	1,554
Number of employees	465	468	479

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



Business Overview & Key Figures of EPGG

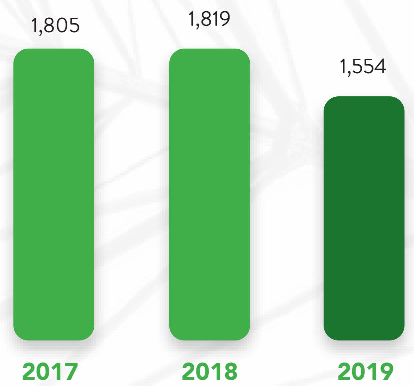
EPGG was also affected by the legislative changes and further liberalization of the market as the distribution company. Total generation of electricity amounted to of 1,554 GWh (about 15% less compared to last year), mainly due to reduced water discharge. This resulted in a decrease in the company's EBITDA in the amount of EUR 6 million compared to the year 2018.

Realized Investment & Outlook of EPGG

EPGG realized substantial investments projects amounting to EUR 9.2 million in the rehabilitation of its hydropower plants, specifically the most important were realized on Lajanuri hydropower plant (TG-3), Dzevrula hydropower plant (TG-2) and Zahesi hydropower plant (TG-6).

EPGG will continue in its investment activities in order to secure the efficiency, service lifetime and reliability of its hydropower plants in 2020. The company will continue in the implementation of regulatory and legislative changes related to the expected liberalization of hydropower generation and renewable energy in general.

EPGG - Generation of electricity (GWh)



LAJANURI HPP, GEORGIA

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

The hydropower plant has a total installed capacity of 113.7MW and is located on the watercourse created by the redirection of the Tskhenistkali River into the Lajanuri River. It has been operating since 1960, and was acquired by ENERGO-PRO in 2007. It is located to the east of Tsageri.

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

JSC OPPA

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

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

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

As of the end of 2019 year, the company operated 7,100 commercial points across the entire territory of Georgia, with an average volume of 313,295 transactions per day.

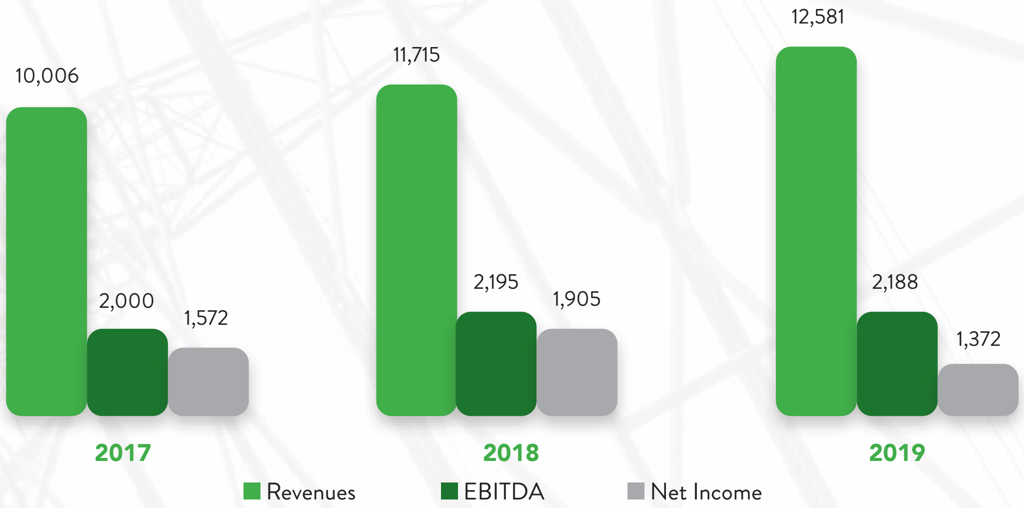
Financial and Operational Highlights of OPPA

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

OPPA Highlights

(EUR´000)	2017	2018	2019
Revenues	10,006	11,715	12,581
EBITDA	2,000	2,195	2,188
Income before Tax	1,572	1,905	1,590
Net Income	1,572	1,905	1,372
Total Assets	7,818	8,384	8,732
Total Equity	2,731	4,756	4,705
Average number of transactions per day	287,464	303,784	313,295
Number of paybox registered users	1,588,085	1,641,811	1,662,031
Number of employees	251	299	309

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



Business Overview & Key Figures of OPPA

In 2019, OPPA focused on further advancement of the electronic platform and the physical network of terminals and reshaping various operational processes. In order to ensure the software sophistication needed to maintain growing payment traffic, the operating system has been upgraded throughout the physical network as well as an online platform. The company contributed with stable positive results to Group's financial results.

Realized Investment & Outlook of OPPA

The company's main goals for 2020 are to remain in the leading position, research and develop alternative opportunities for further growth and implement various practices for effective, optimized work. Regional offices will continue to grow the network through uncovered territories, in order to make OPPA's service available to the population of entire regions.

SHAORI-TKIBULI CASCADE, GEORGIA

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

Lake Shaori is the largest natural reservoir in the Racha-Lechkhumi and Svaneti Region. It is located at 1,125 metres above sea level near the village of Khorga. The length of the lake is 7.1 km; the distance between its shores is 2.7 km at its widest, and the depth of the lake is 14.5 m. The water area of the lake is 9.2 sq.km.

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

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

ENERGO-PRO IN TURKEY

RESADIYE HAMZALI

Reşadiye Hamzali Elektrik Üretim Şanyi Ve Ticaret A.Ş. ("Resadiye Hamzali") was founded in 2010 as part of the foreign expansion strategy of ENERGO-PRO a.s. and is headquartered in Ankara. Resadiye Hamzali is focused on operation of five hydropower plants and selling electricity in the Turkish electricity market. Its total installed capacity is 95 MW. Electricity trading activities are performed by an affiliate company, ENERGO-PRO Güney Elektrik Toptan Satis Ithalat Ihracat Ve Tic. A.Ş. Another affiliate company is ENERGO PRO İnşaat Şanyi Ve Ticaret A.Ş., which provides project management and civil construction works in the hydropower segment.

Three of Resadiye Hamzali's HPPs are united in the Reşadiye cascade. The hydropower scheme comprises a three-step cascade on the Kelkit River (Resadiye 1, Resadiye 2 and Resadiye 3) with an aggregate installed capacity of 65.6 MW.

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

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

Resadiye Hamzali's HPPs

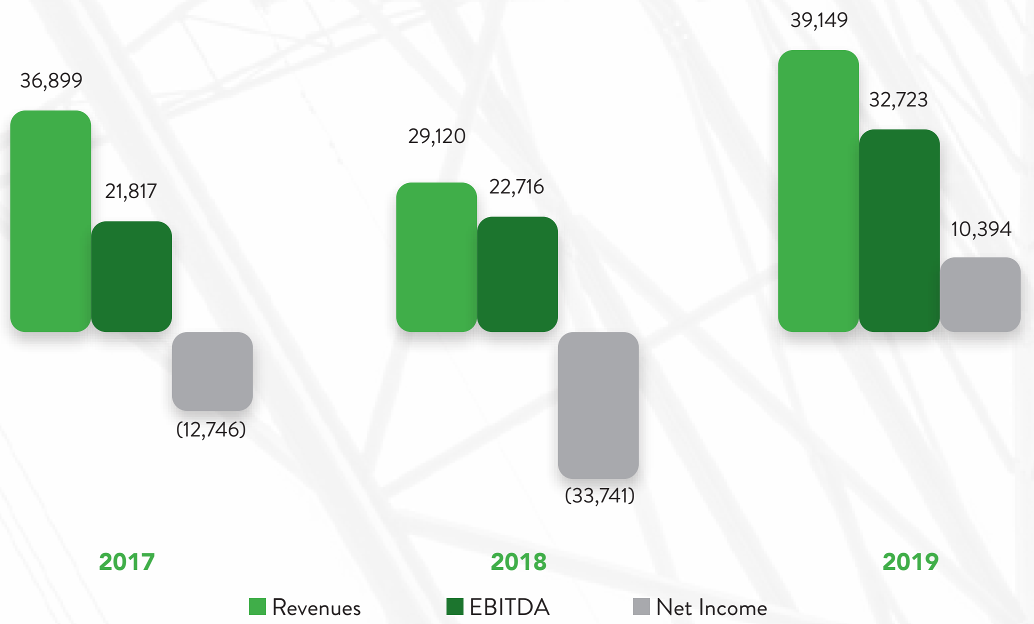
Financial and Operational Highlights of Resadiye Hamzali

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

Resadiye Hamzali Highlights

(EUR'000)	2017	2018 Restated	2019
Revenues	36,899	29,120	39,149
EBITDA	21,817	22,716	32,723
Income before Tax	(16,003)	(38,963)	13,120
Net Income	(12,746)	(33,741)	10,394
Total Assets	140,752	123,238	82,367
Total Equity	(10,439)	(42,039)	(25,966)
Generation of electricity (GWh)	433	423	553
Number of employees	96	99	99

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



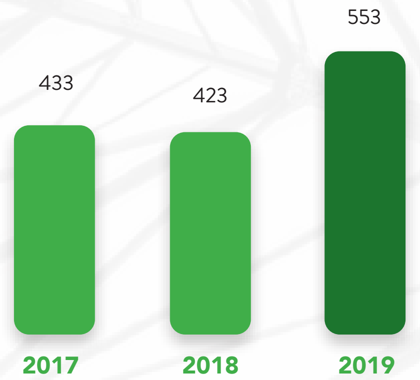
Business Overview & Key Figures of Resadiye Hamzali

Despite the geopolitical tensions in the region and the Turkish economy conditions (revitalized in 2019), the operation of Resadiye Hamzali is not influenced by these facts. The company performed a successful year, concerning the total volume of generated electricity and overall financial outcome. Due to improved hydrology during 2019, the total generation output reached 553 GWh, thus significantly exceeded the results from previous two years. This fact positively impacted the EBITDA result which was EUR 10 million higher than in 2018.
All Resadiye Hamzali's hydropower plants benefited from the YEKDEM[1] guaranteed tariff during 2019.

Realized Investment & Outlook of Resadiye Hamzali

During 2019, no major investment activities were realized. Regular repair and maintenance works of the company's facilities were done as every year and the company will continue in this term also during next period. Similar generation and financial outcome are expected to be reached in 2020.

Resadiye Hamzali - Generation of electricity (GWh)



[1] Renewable Energy Resources Support Mechanism ("YEKDEM") is a key regulatory support for the development of the use of renewable energy resources in Turkey (the scheme launched in 2011 envisages support of USD 73 per MWh for hydropower plants).

REŞADIYE CASCADE, TURKEY

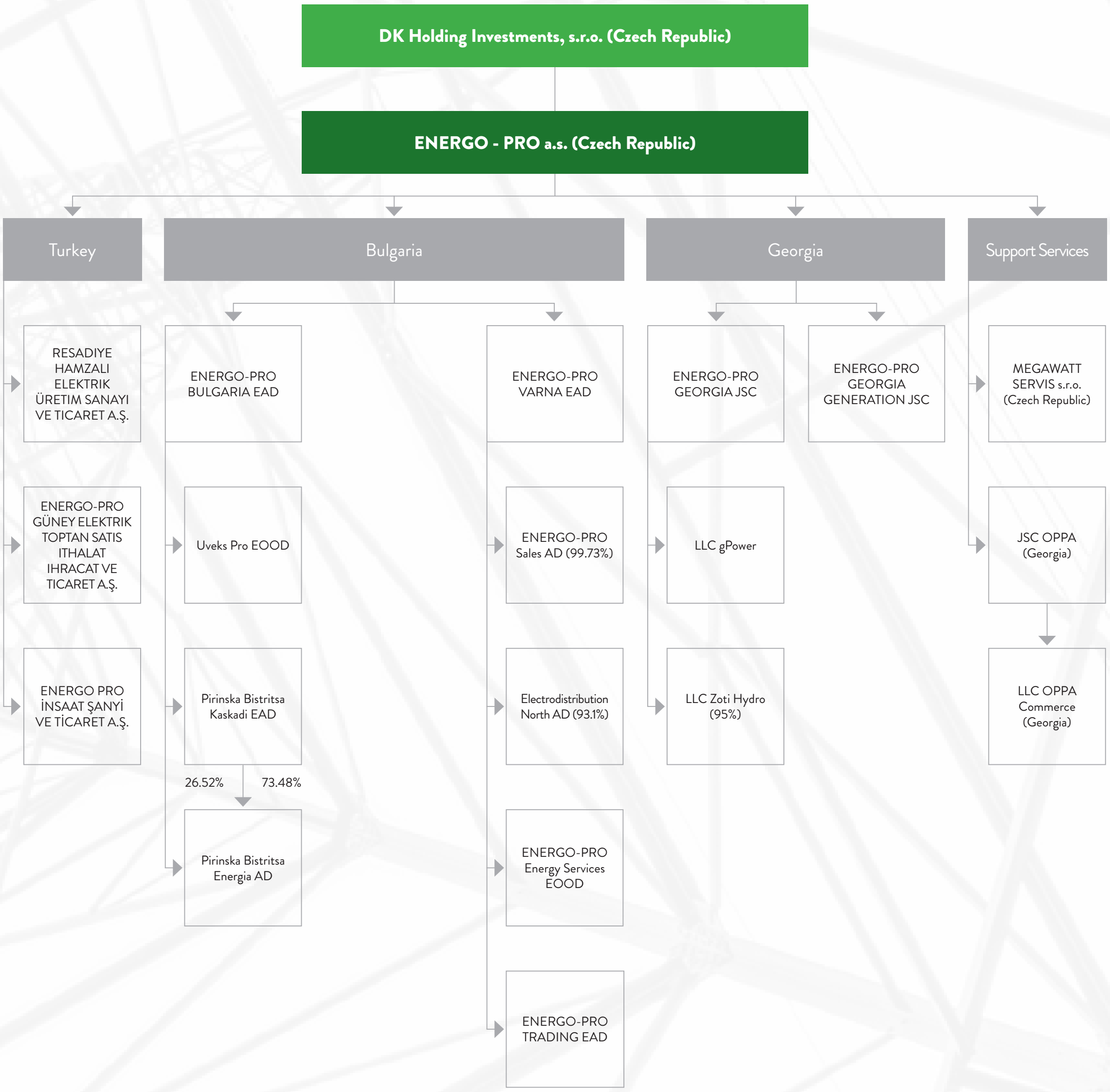
This three-step cascade is located on the Kelkit River. One of the three hydropower plants, the furthest one upstream, is located in the vicinity of the city of Sivas. The other two are near the town of Tokat.

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

04

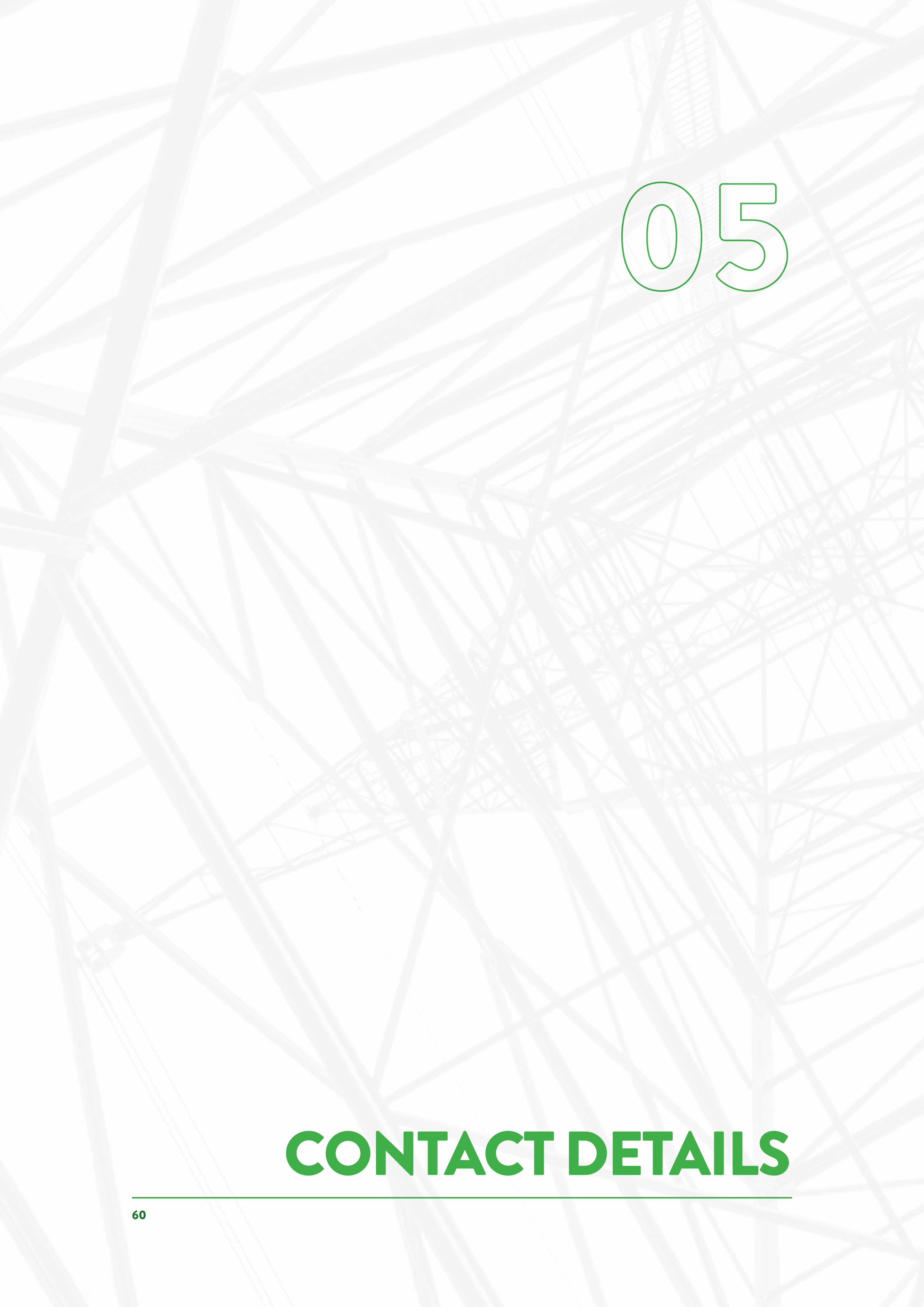
ORGANIZATIONAL STRUCTURE

AS AT 31 DECEMBER 2019



Notes:

- Ownership interests are 100% unless stated otherwise.
- On February 11th, 2020, LLC Zoti Hydro was officially liquidated
(please find Note 33 - Events after the Reporting Period in financial part of this Annual Report).
- On February 17th, 2020, ENERGO-PRO Trading EAD was merged with ENERGO-PRO Energy Services EOOD
(please find Note 33 - Events after the Reporting Period in financial part of this Annual Report).



05

CONTACT DETAILS

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06

CONSOLIDATED FINANCIAL STATEMENTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS

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	479,573	459,854	452,416
Advances for property, plant and equipment		-	50	2
Goodwill	8	61,645	63,573	66,654
Other intangible assets	9	37,686	46,590	60,783
Non-current financial assets	11	14,034	12,246	2,415
Advance payments for investments acquisition	12	27,000	27,000	-
Deferred tax assets	29	4,880	4,452	1,085
Non-current portion of issued loans	10	266,245	224,938	128,496
Other non-current assets	16	1,430	606	255
Total non-current assets		**892,493**	**839,309**	**712,106**
Current assets				
Inventories	13	23,348	13,648	10,529
Trade and other receivables	14	156,623	130,661	124,217
Current income tax asset		3,022	2,415	1,072
Current portion of issued loans	10	679	287	40,982
Cash and cash equivalents	15	16,589	44,419	43,366
Other current assets	16	15,503	13,286	65,530
Total current assets		**215,764**	**204,716**	**285,696**
Total assets		**1,108,257**	**1,044,025**	**997,802**
EQUITY				
Authorised share capital	17	3,569	3,569	3,569
Translation reserve		(69,580)	(58,774)	(65,426)
Retained earnings	18	354,285	304,950	269,580
Equity attributable to the company's owners		**288,274**	**249,745**	**207,723**
Non-controlling interest		18,186	16,175	13,019
Total equity		**306,460**	**265,920**	**220,742**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	29	6,725	2,223	3,749
Provisions	21	8,840	8,404	9,305
Borrowings	22	622,606	621,100	511,617
Non-current financial liabilities	19	727	41	130
Other non-current liabilities	20	9,183	9,771	23,287
Total non-current liabilities		**648,081**	**641,539**	**548,088**
Current liabilities				
Provisions	21	7,283	10,396	16,335
Trade and other payables	23	107,459	105,086	105,575
Income tax payable		768	623	1,624
Borrowings	22	15,824	35	82,433
Contract liabilities		9,564	6,564	7,001
Other liabilities to shareholder		24	-	-
Other current liabilities	24	12,794	13,862	16,004
Total current liabilities		**153,716**	**136,566**	**228,972**
Total liabilities		**801,797**	**778,105**	**777,060**
TOTAL LIABILITIES AND EQUITY		**1,108,257**	**1,044,025**	**997,802**

(EUR'000)	Note	2019	2018 Restated
Revenue			
Sales of electricity in local markets		604,564	633,430
Cross border sales of electricity		419	36,840
Grid components of electricity sales price		110,732	105,338
Services and other		108,988	37,382
Total revenue		**824,703**	**812,990**
Other income	28	11,296	5,331
Changes in inventory of products and in work in progress		(315)	(261)
Capitalized own products and own services		1,560	1,268
Purchased power		(461,824)	(509,678)
Service expenses	25	(139,804)	(83,948)
Labour costs		(71,223)	(66,614)
Material expenses		(6,442)	(1,647)
Tax expenses		(4,151)	(3,890)
Other operating expenses	26	(15,310)	(15,291)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA) [1]		**138,490**	**138,260**
Depreciation and amortisation expense	7,9	(50,645)	(45,002)
Earnings before financial expenses and taxes (EBIT)		**87,845**	**93,258**
Finance income	27	14,952	13,365
Finance costs	27	(40,905)	(89,983)
Finance costs – net		**(25,953)**	**(76,618)**
Income before income tax (EBT)		**61,892**	**16,640**
Income tax	29	(5,566)	(6,770)
Deferred taxes	29	(3,938)	5,417
Total income tax expense		**(9,504)**	**(1,353)**
Profit/(loss) for the year		**52,388**	**15,287**
Profit/(loss) attributable to:			
- Owners of the company		50,326	13,877
- Non-controlling interest		2,062	1,410
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(10,765)	6,652
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		(916)	(58)
Tax effect		-	-
Net amount		(916)	(58)
Other comprehensive income/(loss)		**(11,681)**	**6,594**
Total comprehensive income/(loss)		**40,707**	**21,881**
Total comprehensive income attributable to:			
- Owners of the company		38,696	20,474
- Non-controlling interest		2,011	1,407

[1] EBITDA is a non-gaap measure in the 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.

Consolidated Statement of Changes in Equity
For the period ended 31 December 2019

		Equity attributable to the company's owners					
(EUR'000)	**Note**	**Authorised ("Unpaid") share capital**	**Translation reserve**	**Retained earnings & Other reserves**	**Total equity without non-controlling interest**	**Non-controlling interest**	**Total equity**
01 January 2018		**3,569**	**(65,627)**	**271,862**	**209,804**	**13,019**	**222,823**
Effect of restatement and reclassifications	5	-	201	(2,282)	(2,081)	-	(2,081)
01 January 2018 Restated		**3,569**	**(65,426)**	**269,580**	**207,723**	**13,019**	**220,742**
Effect of adoption of new accounting standards	5	-	-	21,530	21,530	1,749	23,279
01 January 2018 Restated		**3,569**	**(65,426)**	**291,110**	**229,253**	**14,768**	**244,021**
Net income for the period		-	-	15,940	15,940	1,410	17,350
Other comprehensive income		-	6,561	(55)	6,506	(3)	6,503
Comprehensive income for the period		-	6,561	15,885	22,446	1,407	23,853
Dividends payable to non-controlling interest		-	-	-	-	-	-
Other changes in equity		-	-	18	18	-	18
31 December 2018		**3,569**	**(58,865)**	**307,013**	**251,717**	**16,175**	**267,892**
Effect of restatement and reclassifications	5	-	91	(2,063)	(1,972)	-	(1,972)
31 December 2018 Restated		**3,569**	**(58,774)**	**304,950**	**249,745**	**16,175**	**265,920**
01 January 2019		**3,569**	**(58,774)**	**304,950**	**249,745**	**16,175**	**265,920**
Net income for the period		-	-	50,326	50,326	2,062	52,388
Other comprehensive income		-	(10,765)	(865)	(11,630)	(51)	(11,681)
Comprehensive income for the period		-	(10,765)	49,461	38,696	2,011	40,707
Other changes in equity		-	(41)	(126)	(167)	-	(167)
31 December 2019		**3,569**	**(69,580)**	**354,285**	**288,274**	**18,186**	**306,460**

(EUR'000)	**Note**	**2019**	**2018 Restated**
Profit/(loss) before income tax		**61,892**	**16,640**
Adjusted for:			
Depreciation and amortization expense	7,9	50,645	45,002
Unrealised currency translation losses/(gains)		9,387	
Interest income	27	(14,341)	(12,165)
Interest and early payment expenses	27	29,010	52,276
Changes in provisions and impairment		(727)	(763)
Assets granted free of charge		-	(77)
Inventory surplus		(3,171)	77
(Gain)/Loss on disposal of property, plant and equipment		2,679	2,285
Inventory obsolescence expense		806	(532)
Other changes - difference in rate of exchange etc.		**(1,245)**	**18,406**
Cash inflow from operating activities before changes in operating assets and liabilities		**134,935**	**121,149**
Movements in working capital			
Decrease/(increase) in inventories	13	(13,680)	(2,132)
Decrease/(increase) in trade accounts receivable	14	(32,757)	(14,515)
Decrease/(increase) in other current assets	16	(2,216)	16,761
Increase/(decrease) in trade and other payables	23	3,790	5,422
Increase/(decrease) in other liabilities	24	(1,477)	1,847
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**88,595**	**128,532**
Interest received		24	1,172
Income tax paid		(5,526)	(8,264)
Net cash (outflow)/inflow from operating activities		**83,093**	**121,440**
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	(71,866)	(65,145)
Proceeds from sale of property plant and equipment		-	72
Loans granted	10	(31,397)	(58,994)
Loans repaid	10	2,015	14,889
Net change in deposits granted		(918)	3,832
Acquisition of financial investment		(119)	
Net cash outflow from investing activities		**(102,285)**	**(105,346)**
Cash flows from financing activities			
Proceeds from borrowings	22	223,194	99,483
Repayment of borrowings	22	(207,416)	(340,953)
Issued bonds	22	-	250,000
Interest paid		(26,130)	(23,571)
Dividends paid to non-controlling interest		-	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		**(10,352)**	**(15,041)**
Net increase/(decrease) in cash and cash equivalents		**(29,544)**	**1,053**
Cash and cash equivalents at the beginning of the year	**15**	**44,419**	**43,366**
Effect of exchange rate on changes on Cash and Cash equivalents		**1,714**	**-**
Cash and cash equivalents at the end of the year	**15**	**16,589**	**44,419**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ENERGO-PRO Group and its Operations

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

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

Full organizational structure as of the end of 2019 is mentioned in Chapter 4. of this Annual Report.

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

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

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

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

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

SUBSIDIARIES

JSC Energo - Pro Georgia ("EPG")

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

On 5 February 2007, EPG signed an agreement with the Government of Georgia for purchase of the assets of the 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.

		EPG'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 3, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria,

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

		EPB's ownership interest	
Name	**Location**	**2019**	**2018**
Pirinska Bistritsa Energia AD	Bulgaria	26.52%[1]	26.52%
Pirinska Bistritsa Kaskadi EAD	Bulgaria	100%	100%
Uveks Pro EOOD	Bulgaria	100%	100%

Pinska 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.

[1] Pirinska Bistrica Kaskadi EAD holds 73.48% of the entity's shares as at December 31, 2019 and December 31, 2018, 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. (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.

RELATED PARTY COMPANIES

Dolnolabské elektrárny a.s. ("DEL")

DEL is a joint stock company established on 15 May 2000. DEL is a company controlled by the shareholders 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. S okak 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.

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

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

Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. ("LTT") is a joint stock company established in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The company was created with the aim of establishing a local manufacturing facility in Turkey.

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

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

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

Litostroj Power d.o.o. ("LP") is a limited liability company established in Slovenia. The registered address of the company is at Litostrojska cesta 50, 1000 Ljubljana, Slovenia. The company is engaged in design, power plant engineering and manufacturing of power generation and industrial equipment thought its own production capacity and R&D department.

Litostroj Engineering, a.s. ("LE") is a joint stock company established in the Czech Republic. The registered address of the company is at Čapkova 2357/5, 678 01 Blansko, Czech Republic. As at 1.1.2019, company changed its name from ČKD Blansko Engineering, a.s. to Litostroj Engineering, a.s. The company has its own hydraulic laboratory and continues the long tradition of Blansko in the research, development, supply and other services for the hydroelectric equipment.

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

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

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

PT ENERGO PRO Indonesia ("EP Indonesia")

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

ENERGO-PRO Colombia SAS ("EP Colombia")

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

ENERGO-PRO Swiss GmbH ("EP Swiss")

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

Terestra-Bulgaria EOOD ("Terestra")

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

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

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

2. Summary of Significant Accounting Policies

Basis of preparation. These consolidated 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any 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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

All financial instruments and operations performed by the company are pointed to collect contractual cash flows from sales of electricity. This is a main objective and a regular activity for the company. Historically, the company has never sold its financial instruments. Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into first business model – Held to collect (H2C).

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

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

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

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

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

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

General approach:

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

Simplified approach:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 EP 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 EP 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 EP Group's presentation currency is the EURO ("EUR"). EUR as the presentation currency is used because Group operates mainly inside Europe and the results presented in EUR are more comprehensible for financial institutions and business partners.

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

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

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

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

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

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

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

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

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

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

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

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

The Group 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.

Revenue is recognised in the profit and loss on a monthly basis after measuring the electricity provided to the customers. Based on an amendment of the Rules for measurement of electricity, revenue from sale of electricity include revenues from imbalances.

(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 is 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.

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 not 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 EPV who trade with electricity (ElectroNorth) 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.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Revenues from penalty interest for late payment of bills for electricity consumed is recognised at the time of payment of the principal.

(f) Financial income under a corporate guarantee contract

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

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

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

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

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

(a) Defined contribution retirement plan

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

(b) Defined benefit obligations

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

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

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

EBITDA is specified as a non-gaap measure in these interim financial statements (there is no IFRS standard for EBITDA specification). The Group considers EBITDA to be an important indicator of its economic performance. EBITDA is calculated as total revenues minues certain operating expenses, as shown above.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

Impairment of inventories. Management has estimated the inventory impairment by comparing the carrying amount and their probable net realizable value in assessing the moral and technical obsolescence of inventory items. Due to the inherent uncertainty of this assessment, actual results may differ from expected. Management reviews the estimates from previous years and the actual results of the previous year.

Provisions. The Management uses significant accounting estimates and judgments in determining the amount of provisions.

(a) Grid access fee provision

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

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

(b) Provision for legal claims

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

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

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

Any change in these estimates will affect the carrying amount of retirement benefits obligations. At the end of each year, the Group determines appropriate discount factor. This the interest rate should be used to determine the present value of estimated future outflows needed to meet the obligations of such benefits.

In determining the appropriate discount factor, the Group takes into account the rate of government bonds (GB) with 10-year maturity, issued by the local govermnments, denominated in the currency in which the income would be paid and terms to maturity similar to the terms of the obligations under the pension income. Since the average retirement term is longer than 10 year, the actuary provides an extrapolation of the data for the effective annual benefit of government bonds.

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

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

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

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted in preparation of 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, as of January 1, 2019, the Group reported right of use assets and lease liabilities in the amount of EUR 3,562 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-19	31-Dec-18
Non-Current Liabilities (Note 20)	895	1,839
Non-Current Financial Liabilities (Note 19)	727	41
Other Current Liabilities (Note 24)	434	-
Total	2,056	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 amendments did not have a significant impact on the financial position or performance of the Group.

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 2018 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 profit or loss and other comprehensive income:

(EUR '000)	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
Property, plant and equipment	458,127	1,727	459,854	C	-	-	-	-
Deferred tax assets	6,179	(1,727)	4,452	B,C	-	-	-	-
Translation reserve	(58,865)	91	(58,774)	A,B,C	(65,627)	201	(65,426)	A
Retained earnings	307,013	(2,063)	304,950	A,C	271,862	(2,282)	269,580	A
Other non-current liabilities	7,932	1,839	9,771	A	21,337	1,950	23,287	A
Other current liabilities	13,729	133	13,862	A	15,873	131	16,004	A

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 31-Dec-18	Effect of restatement	As restated for the 12 month period ended 31-Dec-18	Reference
Sales of electricity in local markets	637,745	(4,315)	633,430	D
Grid components of electricity sales price	133,709	(28,371)	105,338	D
Other income / (expense)	5,031	300	5,331	A
Purchased power	(513,993)	4,315	(509,678)	D
Service expenses	(112,784)	28,836	(83,948)	C,D
Labour costs	(67,284)	670	(66,614)	C
Materials expenses	(2,054)	407	(1,647)	C
Other operating expenses	(15,482)	191	(15,291)	C
Deferred taxes	7,231	(1,814)	5,417	C,B

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 2,082 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, The company 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.

6. Balances and Transactions with Related Parties

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

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

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

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

(EUR'000)	Shareholders	Entities under common control*
Sales of electricity in local markets	-	275
Sales - services and other	20	78,565
Other Income	-	457
Interest income	11,279	2,760
Interest costs	-	63

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

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

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

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

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

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

7. Property, Plant and Equipment

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

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Right of use	Other fixed assets	Total
Cost or valuation							
1 January 2018	**88,870**	**608,573**	**12,806**	**15,964**	**-**	**11,589**	**737,802**
Restatement	-	-	-	1,727	-	-	1,727
Reclassification	-	206	(206)	(93)	-	-	(93)
Additions (+)	455	15,414	2,669	42,176	-	1,756	62,470
Transfers (+/-)	1,448	33,927	147	(35,873)	-	351	-
Disposals (-)	(13)	(778)	(1,082)	(1,766)	-	(303)	(3,942)
Difference in rate of exchange	(363)	(15,858)	59	64	-	50	(16,048)
31 December 2018 Restated	**90,397**	**641,484**	**14,393**	**22,199**	**-**	**13,444**	**781,917**
Reclassification	-	13	21	25	1,007	(36)	1,030
Additions (+)	260	17,408	3,291	51,499	2,804	4,850	80,112
Transfers (+/-)	625	36,063	761	(37,447)	-	(2)	-
Disposals (-)	(57)	(10,252)	(1,062)	(760)	(239)	(1,767)	(14,137)
Acquisition of subsidiaries (+)	-	-	-	-	-	-	-
Difference in rate of exchange	(2,878)	(17,251)	(773)	(979)	(10)	(200)	(22,091)
31 December 2019	**88,347**	**667,465**	**16,631**	**34,537**	**3,562**	**16,290**	**826,832**
Accumulated depreciation							
1 January 2018	**(30,621)**	**(242,922)**	**(6,647)**	**26**	**-**	**(5,222)**	**(285,386)**
Reclassification	-	(181)	181	-	-	-	-
Charge for the year (-)	(2,457)	(37,226)	(1,771)	(10)	-	(693)	(42,157)
Disposals (+)	3	422	877	14	-	282	1,598
Impairment loss (-)/Reversal of impairment (+)	26	-	-	-	-	-	26
Difference in rate of exchange	(88)	3,980	(30)	-	-	(6)	3,856
31 December 2018 Restated	**(33,137)**	**(275,927)**	**(7,390)**	**30**	**-**	**(5,639)**	**(322,063)**
01 January 2019	**(33,137)**	**(275,927)**	**(7,390)**	**30**	**-**	**(5,639)**	**(322,063)**
Reclassification	-	(11)	(21)	-	-	32	-
Charge for the year (-)	(2,345)	(36,945)	(2,112)	(17)	(1,165)	(1,501)	(44,085)
Disposals (+)	52	8,697	888	1	70	1,755	11,463
Impairment loss (-)/Reversal of impairment (+)	357	-	-	-	-	-	357
Difference in rate of exchange	1,039	5,642	362	1	3	22	7,069
31 December 2019	**(34,034)**	**(298,544)**	**(8,273)**	**15**	**(1,092)**	**(5,331)**	**(347,259)**
Net book value							
31 December 2018 Restated	**57,260**	**365,557**	**7,003**	**22,229**	**-**	**7,805**	**459,854**
31 December 2019	**54,313**	**368,921**	**8,358**	**34,552**	**2,470**	**10,959**	**479,573**

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 operating leases, in the capacity of a lessee, in connection with the first application of IFRS 16, as of January 1, 2019, the Group reported right of use assets and lease liabilities in the amount of EUR 3,562 thousand. An average interest rate of 4.68% was used for the calculation.

8. Goodwill

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

(EUR'000)	31 Dec 2019	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 Dec 2018
OPPA	5,836	-	-	-	5,836
EPG	441	-	(20)	-	461
EPB	24,862	-	-	-	24,862
RH	9,020	-	(932)	-	9,952
EPGG	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 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% p.a.	0% p.a.
Annual sales growth within the forty years	0% p.a.	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 were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Cost or valuation 1 January 2019	**49,460**	**4,776**	**22,920**	**93**	**1,025**	**78,274**
Reclassification	24	20	-	(25)	(44)	(25)
Additions (+)	125	192	-	73	188	578
Transfers (+/-)	3	51	-	(54)	-	-
Disposals (-)	(17)	(2)	-	-	(4)	(23)
Difference in rate of exchange - restated	(3,567)	(48)	-	1	(43)	(3,657)
31 December 2019	**46,028**	**4,989**	**22,920**	**88**	**1,122**	**75,147**
Accumulated depreciation 1 January 2019	**(11,041)**	**(2,411)**	**(17,805)**	**-**	**(427)**	**(31,684)**
Reclassification	(20)	(20)	-	-	40	-
Charge for the year (-)	(1,139)	(355)	(544)	-	(113)	(2,151)
Disposals (+)	17	2	-	-	-	19
Impairment loss (+/-)	-	-	(4,409)	-	-	(4,409)
Difference in rate of exchange	733	19	(4)	-	16	764
31 December 2019	**(11,450)**	**(2,765)**	**(22,762)**	**-**	**(484)**	**(37,461)**
Net Book Value 31 December 2019	**34,578**	**2,224**	**158**	**88**	**638**	**37,686**

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

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

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:		
Shareholders - DKHI	248,338	207,775
ENERGO-PRO Industries, s.r.o.	7,665	7,399
ENERGO-PRO MVE, s.r.o.	10,240	9,749
Other	2	15
Total non-current portion of issued loans	**266,245**	**224,938**
Current portion of issued loans:		
ENERGO-PRO Industries, s.r.o.	3	-
Terestra Bulgaria	199	192
Taurus Konsult EOOD	370	93
Other	107	2
Total current portion of issued loans	**679**	**287**
Total issued loans	**266,924**	**225,225**

Movements in issued loans were as follows:

(EUR'000)	2019	2018
As at 1 January	**225,225**	**169,478**
Interest income accrued during the year (+)	11,936	9,768
Loans issued during the year (+)	31,397	58,993
Taxes on interest income (-)	-	(10)
Principal repayments (-)	(2,015)	(16,443)
Interest received during the year (-)	(24)	(395)
Reclassification	-	3,977
Exchange rate difference	405	(143)
As at 31 December 2019	**266,924**	**225,225**

11. Non-current Financial Assets

(EUR'000)	31 Dec 2019	31 Dec 2018
Restricted bank deposit (i)	1,713	923
Receivable from Bilsev for corporate guarantee fee (ii)	12,094	11,217
Other	227	106
Total non-current financial assets	**14,034**	**12,246**

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

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

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

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

12. Advance payments for investments acquisition

(EUR'000)	31 Dec 2019	31 Dec 2018
Advance payment for purchase of 49% of BERTA (i)	27,000	27,000
Total advance payment for investments acquisition	**27,000**	**27,000**

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

As at 31 December 2019, Management reviewed the timing of the two conditions for the transfer of shares described above and considered the advance payment still as a long-term.

13. Inventories

(EUR'000)	31 Dec 2019	31 Dec 2018
Electrical equipment	3,500	3,598
Inventory related to installation of meters	155	513
Cables and wires	3,166	2,328
Tools and bolts	1,041	1,111
Meter boxes, cabinets and locks	30	60
Spare parts	1,198	835
Overalls and special clothes	213	390
Oil and lubricants	557	498
Poles	236	254
Prepayments for inventories	9,874	761
Inventory related to Paybox Installation	905	630
Scrap & Damaged Inventory	722	1,068
Goods	12	12
Other	1,739	1,986
Less: provision for obsolete and slow-moving inventories	-	(396)
Total inventories	**23,348**	**13,648**

Movements in inventories were as follows:

(EUR'000)	2019	2018
As at 1 January	**13,645**	**10,529**
Purchase of inventories (+)	19,906	13,547
Sale of inventories (-)	(8,942)	(1,142)
Capitalisation of inventories (-)	(13,421)	(10,944)
Inventory differences (+/-)	2,971	825
Impairment for inventories - additions (-)	-	(110)
Impairment for inventories - release (+)	386	73
Payment of prepayments for inventories (+)	15,743	247
Use of prepayments for inventories (-)	(6,776)	-
Consumption of inventories (-)	(7)	890
Additions through business combination	-	529
Exchange rate difference	(157)	(795)
As at 31 December	**23,348**	**13,648**

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.

14. Trade and Other receivables

(EUR'000)	31 Dec 2019	31 Dec 2018
Receivables from households	45,632	55,464
Receivables from commercial sector	111,976	72,540
Receivables from public sector	-	268
Receivables from export sales	1,979	2,068
Receivables from transmission	5,435	6,959
Rent deposit	82	81
Other trade receivables	4,467	2,122
Less: provision for impairment	(17,955)	(15,505)
Total trade receivables	**151,616**	**123,997**
Guarantee deposits	2,767	6,504
Deposits granted	1,857	67
Restricted cash	84	93
Other	299	-
Total trade and other receivables	**156,623**	**130,661**

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

(EUR'000)	2019	2018
Provision for impairment at 1 January	**15,505**	**15,833**
Impairment charge	5,309	2,529
Reversal of impairment during the year	(2,801)	(1,177)
Amounts written off during the year as uncollectible	153	189
Adjustment upon application of IFRS 9 and IFRS 15	-	(1,863)
Exchange rate difference	(211)	(6)
Provision for impairment at 31 December	**17,955**	**15,505**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	31 Dec 2019	31 Dec 2018
Total neither past due not impaired:	**144,228**	**116,044**
Past due but not impaired		
- less than 30 days overdue	2,773	3,375
- 31 to 90 days overdue	782	1,139
- 91 to 180 days overdue	879	672
- over 181 days overdue	3,251	2,953
Total past due not impaired	**7,685**	**8,139**
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	13,417	13,531
Total past due and impaired	**17,658**	**15,319**
Less: provision for impairment	(17,955)	(15,505)
Total current trade receivables, net	**151,616**	**123,997**

15. Cash and Cash Equivalents

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

(EUR'000)	31 Dec 2019	31 Dec 2018
Cash on hand	40	52
Cash with banks:		
- CZK denominated	573	797
- BGN denominated	4,336	26,529
- GEL denominated	5,776	8,957
- TRY denominated	289	1,211
- USD denominated	476	531
- EUR denominated	4,650	7,029
- GBP denominated	-	1
- RON denominated	478	475
- RSD denominated	-	1
- HUF denominated	49	50
- DIN denominated	3	-
- CHF denominated	3	-
Cash in transit	-	-
Restricted cash (i)	(84)	(1,214)
Short term deposit	-	-
Total cash and cash equivalents	**16,589**	**44,419**

(i) Restricted cash represents blocked cash in the bank accounts as collateral on legal cases and collateral on issued bank guarantees in favour of third parties.

16. Other Current Assets

(EUR'000)	31 Dec 2019	31 Dec 2018 Restated
Receivables court cases	3	(15)
Deferred value-added tax	166	6
Advance payments	5,914	9,465
Prepaid insurance	737	846
Prepaid tax	-	57
Deferred expenses	8	12
VAT receivables	7,959	2,081
Tax receivables	52	143
Blocked deposits	-	93
Government grants	5	-
Other	659	598
Total other current assets	**15,503**	**13,286**

17. Share Capital

The Company has one class of ordinary shares with a par value of CZK 250 thousand carrying one vote per share and a right to dividends. As of 31 December 2019, and 31 December 2018, authorised share capital consisted of 380 ordinary shares in the total amount of EUR 3,569 thousand.

18. Retained Earnings

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

19. Non-current Financial Liabilities

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Financial lease liabilities	727	41
Total non-current financial liabilities	**727**	**41**

20. Other Non-current Liabilities

(EUR'000)	**31 Dec 2019**	**31 Dec 2018**
Deferred income from connection fees (i)	1,750	-
Deferred income from remuneration of guarantee commitment (Bilsev) (Note 11)	6,426	7,854
Government grants	895	1,917
Other	112	-
Total other non-current liabilities	**9,183**	**7,932**

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

21. Current and Non-current Provisions

Analysis of the provision is as follows:

(EUR'000)	31 Dec 2019	31 Dec 2018
Non-current:		
Grid access fee provision (a)	5,308	5,698
Retirement benefits (d)	3,323	2,544
Other non-current provisions (c)	209	162
Total non-current provisions	**8,840**	**8,404**
Current:		
Legal claims (b)	5,167	9,385
Energy effectiveness (e)	746	5
Retirement benefits (d)	673	348
Other (c)	697	658
Total non-current provisions	**7,283**	**10,396**
Total provisions	**16,123**	**18,800**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2018	**5,698**	**9,385**	**-**	**5**	**2,892**	**820**	**18,800**
Paid	-	(170)	-	-	(187)	(304)	(661)
Accrued	-	1,689	-	746	302	719	3,456
Financial expense	(156)	-	-	-	-	-	(156)
Reversed	(234)	(5,732)	-	(5)	-	(245)	(6,216)
Actuarial loss/ (profit)	-	-	-	-	932	-	932
Difference in rate of exchange	-	(5)	-	-	(18)	(9)	(32)
At 31 December 2019	**5,308**	**5,167**	**-**	**746**	**3,921**	**981**	**16,123**

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

(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	1.00%	1.00%
Future salary increases	0.00%	0.00%

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.

22. 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
Non-Current portion of borrowings:		
Issued Bonds (i)	622,606	621,100
Other	-	-
Total non-current portion of borrowings	**622,606**	**621,100**
Current portion of borrowings:		
Raiffeisenbank EAD	7,330	-
Sberbank CZ, a.s.	6,500	-
DSK Bank EAD	1,963	-
Other	31	35
Total current portion of borrowings	**15,824**	**35**
Total borrowings	**638,430**	**621,135**

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

(i) Issued Bonds

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).

23. Trade and Other Payables

(EUR'000)	31 Dec 2019	31 Dec 2018
Trade payables	101,121	101,079
Deposits	930	19
Payables for joint participation	-	1,673
Payables for legal disputes	921	-
Other	4,487	2,315
Total trade and other payables	**107,459**	**105,086**

24. Other Current Liabilities

(EUR'000)	31 Dec 2019	31 Dec 2018
Taxes payable	2,934	4,394
Payable to personnel	5,407	6,514
Deferred income from remuneration of guarantee commitment (Bilsev) (Note 11)	2,504	1,879
DSI Accrual	-	99
Advances received	26	42
Other liabilities	1,923	934
Total other current liabilities	**12,794**	**13,862**

25. Service Expenses

(EUR'000)	2019	2018 Restated
Dispatch and transmission	(5,464)	(8,485)
Technological losses of electricity	(30,665)	(34,452)
Professional service fees	(74,190)	(14,228)
Repairs and maintenance	(5,687)	(4,617)
Security expense	(2,714)	(1,849)
Insurance expense	(3,192)	(4,950)
Interconnection charges for rights	-	(29)
Rent expense	(2,334)	(3,024)
Encashment fee	(2,006)	(2,021)
Commissions	(6,178)	(5,400)
One off connection fee to ESO	(726)	-
Advertising	(77)	-
Other	(6,571)	(4,893)
Total service expenses	**(139,804)**	**(83,948)**

The item Professional service fees is mainly related to the company EP Insaat in the amount of EUR 69,274 thousand as of 31 December 2019 (31 December 2018: EUR 6,220 thousand). The increase is linked to an increase in the revenue item Services and Other.

26. Other Operating Expenses

(EUR'000)	2019	2018 Restated
Business trip expenses	(7,721)	(7,908)
GNERC regulatory expense	(1,270)	(1,549)
Provision for impairment and bad debt write-off	(2,486)	(3,738)
Office supplies consumed	(405)	(248)
Provision for expenses	3,056	6,852
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)
Penalties and fines	-	(2)
Inventory obsolescence expense and write-off	-	(217)
Other services received	-	(50)
Other	(5,072)	(5,572)
Total other operating expenses	**(15,310)**	**(15,291)**

27. Finance Costs - Net

(EUR'000)	2019	2018
Interest expense from bank borrowings	(1,060)	(5,270)
Prolongation fees on factored payables	(1,780)	-
Expenses related to early payment	-	(23,185)
Interest expense on lease liabilities	(88)	-
Interest expenses bonds	(27,950)	(23,821)
Fee from loans and other	(469)	(510)
Other finance costs	(285)	(256)
Net foreign exchange losses	(9,273)	(36,941)
Finance costs	**(40,905)**	**(89,983)**
Interest income on issued loans	12,555	10,954
Interest income on cash and cash equivalents	212	141
Interest income on other assets	147	-
Other financial income	2,038	2,270
Finance income	**14,952**	**13,365**
Net finance costs	**(25,953)**	**(76,618)**

28. Other Income

(EUR'000)	2019	2018 Restated
Surplus from inventory and PPE counts	1,958	703
Income from penalties and fines	519	584
Income from insurance claims	984	162
Gains less losses on disposal of PPE and IA	99	68
Rental income	1,361	694
Other	6,375	3,120
Total other income	**11,296**	**5,331**

29. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

(EUR'000)	2019	2018
Current tax	(5,566)	(6,770)
Deferred tax	(3,938)	5,417
Income tax expense for the year	**(9,504)**	**(1,353)**

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

(EUR'000)	**2019**	**2018**
Profit (-) / Loss (+) before tax	(61,892)	(16,640)
Tax rate (i)	12%	(27%)
Theoretical tax charge at statutory rate (ii)	7,377	(4,499)

Current tax:	**2019**	**2018**
Additional tax payments (+) / refund (-)	21	1,789
Withholding tax (+)	-	-
Tax incentives, tax credits (-)	-	-
Investment allowance used (previously unrecognised)	(133)	(508)
Income tax paid in other countries (+)	219	100
Imputed tax payables for commercial loss<	-	(90)
Negative Goodwill released to income	-	6
Deferred tax:	**-**	**-**
Effect of the changes in tax rates	12	-
Deduction of tax loss	467	(179)
Effect of the different % used to calculate DT	-	-
Adjustments to deferred tax attributable to changes in tax rates and laws	(352)	125
Effect of not recognized deferred tax asset	468	3,865
Non-tax expenses (+) / income (-) from which deferred tax isn't calculated:	**-**	**-**
Net value of non-current tangible/intangible assets	(7)	-
Profit (-) / Loss (+) from derecongnition of shares	-	-
Increase (+)/release (-) of financial investments impairment	-	-
Increase (+)/release (-) of issued loans impairment	-	-
Increase (+)/release (-) of trade receivables impairment	-	-
Increase (+) / release (-) provisions	(96)	-
Interest income (-) / expense (+)	-	-
Dividend income (-)	-	-
Expenses from option rights (+)	-	-
Other non-deductible expenses (+) / income (-)	1,528	7,294
Hypothetical tax on non-tax expenses and income	**1,425**	**744**
= Calculated income tax expense	**9,504**	**1,353**

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

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

(b) Deferred taxes

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

EUR'000	2019	2018
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	4,876	4,228
- Deferred income tax asset to be recovered within 12 months	4	224
Deferred income tax assets	**4,880**	**4,452**
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(6,767)	(2,223)
- Deferred income tax liability to be recovered within 12 months	42	-
Deferred tax liabilities	**(6,725)**	**(2,223)**
Net deferred income tax assets/(liabilities)	**(1,845)**	**2,229**

(c) Deferred taxes analysed by type of temporary difference

The movement 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, is as follows:

(EUR'000)	1 Jan 2019	Reclassiffication	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of deductible temporary differences					
Property, plant and equipment & Intangible assets	(12,858)	(8)	496	713	(11,657)
Trade receivables	(54)	-	(563)	32	(585)
Borrowings	(60)	-	-	6	(54)
Other current assets	(167)	-	2	15	(150)
Other temporary differences	(276)	(851)	(15)	4	(1,138)
Total deferred tax liability	**(13,415)**	**(859)**	**(80)**	**770**	**(13,584)**

(EUR'000)	1 Jan 2019	Reclassiffication	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of deductible temporary differences					
Inventories	(16)	-	-	-	(16)
Allowances for trade receivables	974	(1)	329	-	1,302
Trade and other payables	2	-	-	-	2
Borrowings	-	-	30	1	31
Deferred income	1	-	3	(1)	3
Provisions	1,710	-	(332)	(1)	1,377
Carry forwards tax losses	9,992	-	(3,750)	(724)	5,518
Unutilised investment incentives	1,901	-	133	(184)	1,850
Other temporary differences	1,080	871	(271)	(8)	1,672
Total deferred tax assets	**15,644**	**871**	**(3,858)**	**(917)**	**11,739**
Net deferred tax liability	**2,229**	**12**	**(3,938)**	**(147)**	**(1,845)**

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

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

(EUR'000)	1 Jan 2018	Business combinations / First-time application of IFRS 9 and 15	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2018
Tax effect of deductible temporary differences					
Inventories	(15)	-	(1)	-	(16)
Allowances for trade receivables	956	(101)	119	-	974
Trade and other payables	2	-	-	-	2
Deferred income	669	(667)	-	(1)	1
Provisions	2,437	-	(710)	(17)	1,710
Carry forwards tax losses	7,053	-	4,802	(1,863)	9,992
Unutilised investment incentives	1,898	-	508	(505)	1,901
Other temporary differences	1,021	-	125	(66)	1,080
Total deferred tax assets	**14,021**	**(768)**	**4,843**	**(2,452)**	**15,644**
Net deferred tax liability	**(2,664)**	**(768)**	**5,417**	**244**	**2,229**

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 carryforwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

30. Contingencies and Commitments

a) Legal Proceedings

EPas

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

EPG

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

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.

e) Contingent liabilities

EPas guarantee Bilsev

EPas has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 141,000 thousand loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 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 USD 50,000 thousand.

EPas guarantee LE

EPas has issued a guarantee in favour of Komercni banka a.s. in connection with a EUR 787 thousand (CZK 20,000 thousand) revolving facility for Litostroj Engineering a.s. The guarantee is for 100% of the drawn amount as of 31 December 2019.

EPas guarantee to 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.

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). Cash cover guarantee for the purposes of securing payment for the supply of natural gas provided by LLC “SOCAR Gas Export - Import”).

f) Commitments

EPV

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

The Management has assessed the fair value of energy facilities, which are owned by consumers, which as at 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.

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).

31. Financial Risk Management

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

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

(EUR'000)	2019	2018
Non-current financial assets		
- Restricted bank deposit	1,713	923
Trade and other receivables		
- Trade receivables	151,616	123,997
Issued loans		
- Loans issued	266,924	225,225
Cash and cash equivalents		
- Bank balances payable on demand	16,589	44,419
- Short-term deposit		-
- Restricted cash	84	1,214
Total	**436,926**	**395,778**

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

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

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 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 *)	16,542	9,740	6,802	16,363	9,778	6,585
EUR	205,114	642,482	(437,368)	198,957	623,097	(424,140)
RON *)	-	-	-	570	-	570
TRY *)	1,257	87	1,170	4,512	3,138	1,374
GBP *)	-	-	-	1	-	1
Total	222,913	652,309	(429,396)	220,403	636,013	(415,610)

*) 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%	680	659
US Dollar weakening by 10%	(680)	(659)
EURO strengthening by 10%	(43,737)	(42,414)
EURO weakening by 10%	43,737	42,414
RON strengthening by 10%	-	57
RON weakening by 10%	-	(57)
TRY strengthening by 10%	117	137
TRY weakening by 10%	(117)	(137)

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 significant proportion of the Group's financial assets and liabilities are at fixed rates and thus the risk is limited.

The Group does not analyze the interest rate risk, as the Group primarily has interest on Issued Bonds at a fixed interest rate.

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 as at 31 December 2019 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	15,939	-	-	**15,939**
Trade and other payables	102,611	4,848	-	**107,459**
Other non-current financial liabilities	45	7,368	85	**7,498**
Other current liabilities	12,794	-	-	**12,794**
Issued Bonds	8,401	614,205	-	**622,606**
Total future payments, including future principal and interest payments	**139,790**	**626,421**	**85**	**766,296**

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

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	35	-	-	**35**
Trade and other payables	105,086	-	-	**105,086**
Other non-current financial liabilities	-	-	-	**-**
Other current liabilities	13,862	-	-	**13,862**
Issued Bonds	26,050	463,000	262,150	**751,200**
Total future payments, including future principal and interest payments	**145,033**	**463,000**	**262,150**	**870,183**

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.

32. 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**

33. 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.

Management Assessment of the current situation as of March 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 Board of Directors and the Group's management on 8 April 2020.

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

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