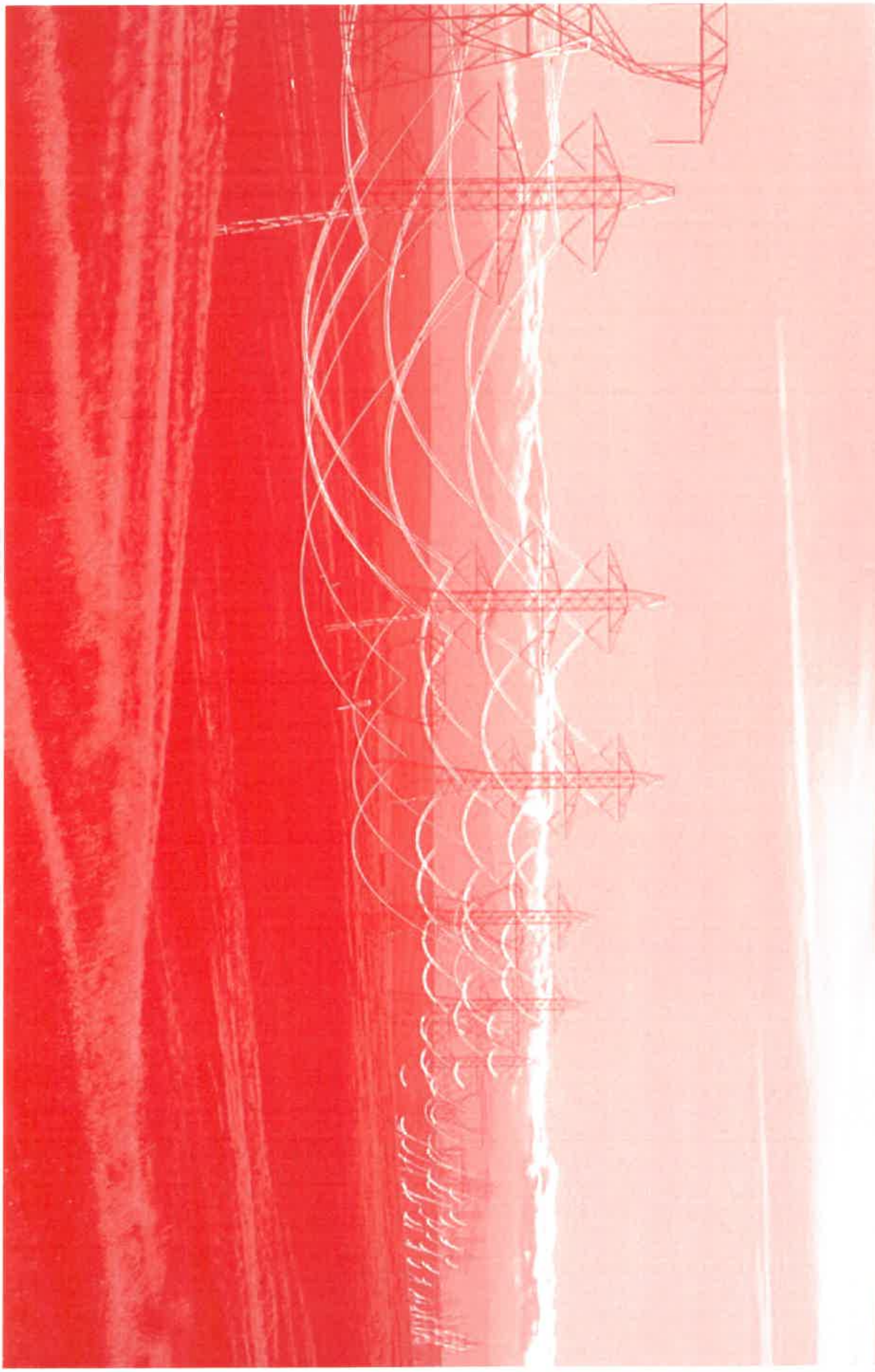
GGE a.s.

Annual report and Financial Statements for the year ended 31 December 2017 and Independent Auditor's Report

December 2018

Translation note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



GGE

member of GGE group

Annual report 2017

CONTENTS:

1. FOREWORD BY MIROSLAV STRUŽ, GGE a. s. MEMBER OF THE BOARD

2017 represented the largest expansion beyond Slovakia for the GGE Group, which welcomed a new member – the Polish Duon.

Duon focuses on natural gas supply, as well as the supply of liquefied natural gas (LNG). It has its own infrastructure, more than 480 km of pipeline, and 20 LNG stations. Duon also has over 4 800 industrial, commercial and individual customers. It became affiliated to GGE during the May 2017 take-over by the Infracapital investment fund, which is part of the Prudential global financial-insurance group and owners of the GGE Group.

We look forward to growing our portfolio of activities in Poland. As well as the Polish branches of Elgas, we also own and operate heat plants in the towns of Tarnowskie Góry and Pyskowice. I am confident that - thanks to synergies between various branches in the Group - we will soon offer the best quality and most reliable services and products to the Polish market.

Recent years for GGE have seen signs of expansion. In the coming period we will pay attention to optimizing processes, and consolidating and developing stronger cooperation between the various branches and segments of the Group. I believe that such an approach will enable us to create a truly integrated yet also flexible Group, which will continue to resist fluctuations on the energy market.

I believe that we will capitalize on the experience and incentives of Duon's addition, as well as subsequent acquisitions and even entering brand new markets. Of utmost importance is that GGE as a brand, as well as individual companies within the Group, remain synonymous with reliability and professionalism for our customers and partners.

Ing. Miroslav Struž,
Member of the Board, GGE a. s.

2. PROFILE AND SCOPE OF BUSINESS

2.1 GGE a. s.

Company name:	GGE a. s.
Registered office:	Pekná cesta 6, 834 03 Bratislava
Company number:	472 578 14
Tax number:	2120099641
VAT number:	SK2120099641
Legal form:	Joint stock company
Date of establishment:	2. 6. 2015
Amount of registered capital:	EUR 25 002
Statutory body:	Alberto Signori – chairman Steven Johnson - deputy chairman Max Helmore – deputy chairman Mathieu Lief – deputy chairman Rudolf Pradla – member Miroslav Struž – member Pavol Bero – member
Supervisory board:	Martin Lennon – chairman Paulo Ruzzini – member Dominik Radziwill – member Stephen Nelson - member
Website:	www.gge.sk

SCOPE OF BUSINESS

- PURCHASE OF GOODS FOR THE PURPOSE OF THEIR SALE TO FINAL CUSTOMERS (RETAIL SALE) WITHIN FREE TRADE
- MEDIATION ACTIVITY WITHIN THE SCOPE OF FREE TRADE
- BUSINESS CONSULTANCY WITHIN THE SCOPE OF FREE TRADE
- RENTING REAL ESTATES, RESIDENTIAL AND NON-RESIDENTIAL PREMISES WITH THE PROVISION OF OTHER THAN BASIC SERVICES RELATED TO RENT
- ECONOMIC, ORGANIZATIONAL AND ACCOUNTING CONSULTANCY
- FACTORING AND FORFAITING WITHIN THE SCOPE OF FREE TRADE
- ADVERTISING AND PROMOTION ACTIVITY WITHIN THE SCOPE OF FREE TRADE
- LEASING ACTIVITY WITHIN THE SCOPE OF FREE TRADE
- BOOKKEEPING

SCOPE OF BUSINESS

PRODUCTION, SUPPLY AND DISTRIBUTION OF ELECTRICITY

SUPPLY AND DISTRIBUTION OF GAS

PRODUCTION, SUPPLY AND DISTRIBUTION OF HEAT AND HOT WATER

OPERATION OF THERMAL ENERGY EQUIPMENT

MANAGEMENT OF RESIDENTIAL AND NON-RESIDENTIAL ECONOMY

CONSTRUCTION OF ENERGY FACILITIES FOR THE PRODUCTION OF ELECTRICITY, HEAT AND COLD

CONSTRUCTION OF OTHER ENGINEERING BUILDINGS

REPAIR AND MAINTENANCE

3. INFORMATION ABOUT THE GGE GROUP

GGE was established in 2007 and is one of the fastest growing energy companies in Central and Eastern Europe. We manage the whole energy cycle - from the delivery of fuel for the production of energies, through the production and distribution of energies, operation and the maintenance of equipment for the production of energy, up to the provision of energy solutions. Thanks to the synergy effect which we achieve by covering various stages of the production and delivery of energies, we can provide clients with highly effective, acceptably priced, and environmentally-friendly solutions for their energy demands.

We increase synergy in our individual business areas by exchanging knowledge and know-how between individual divisions that are underpinned by a team of highly qualified experts. Therefore, we support the on-going professional growth of our employees, by which we also increase the innovation potential of our company.

GGE is an important dealer of energy commodities in Central and Eastern Europe through its subsidiaries.

We want to use experience from the liberalization process of the energy market in the Czech Republic and the Slovak Republic as a key competitive advantage also on other markets in Europe, where the liberalization process is at a lower level.

Thanks to our experience with activities on various European markets, we can provide our clients with new solutions for their needs. Moreover, by connecting experience from dealing with energies and experience from their own production, for many years we have also been able to give clients the most effective and economically most beneficial solution. For our business partners we provide consultations that optimise costs, and will help to make correct investments after an energy audit.

We take care of the environment and are aware of our responsibility for its protection. Society's impact on the environment can be influenced by everybody. Therefore, our company seeks the most effective solution to optimize the use of produced energy. We think ecologically, and aim to increase the ratio of green energy. So within the GGE group we follow the Integrated Management System according to ISO.
Since 2015, the strategic investor in GGE has been the British investment fund Infracapital, which is part of the Prudential global financial-insurance group.

GGE INCLUDES THE FOLLOWING COMPANIES:

SERVICES:

Investments in ares of heating, electricity and gas
Contruction of energy facilities
Administration of apartments, administrative and shopping premises

- GGE d.o.o. Beograd
- TENERGO Slovensko, a. s.
- IFM, a. s.
- IFM – PB, s. r. o.
- IFM – BA, s. r. o.
- GGE Trade, a. s.
- SOUTHERM SPRÁVA, s. r. o.
- GGE invest, s. r. o.
- V.I. Energy Group a. s.
- GGE SP. Z O.O.
- GGE Polska GAZ Sp. z o.o.

TRADE:

Trade of electricity and gas on Slovak, Czech, Polish and Serbian markets

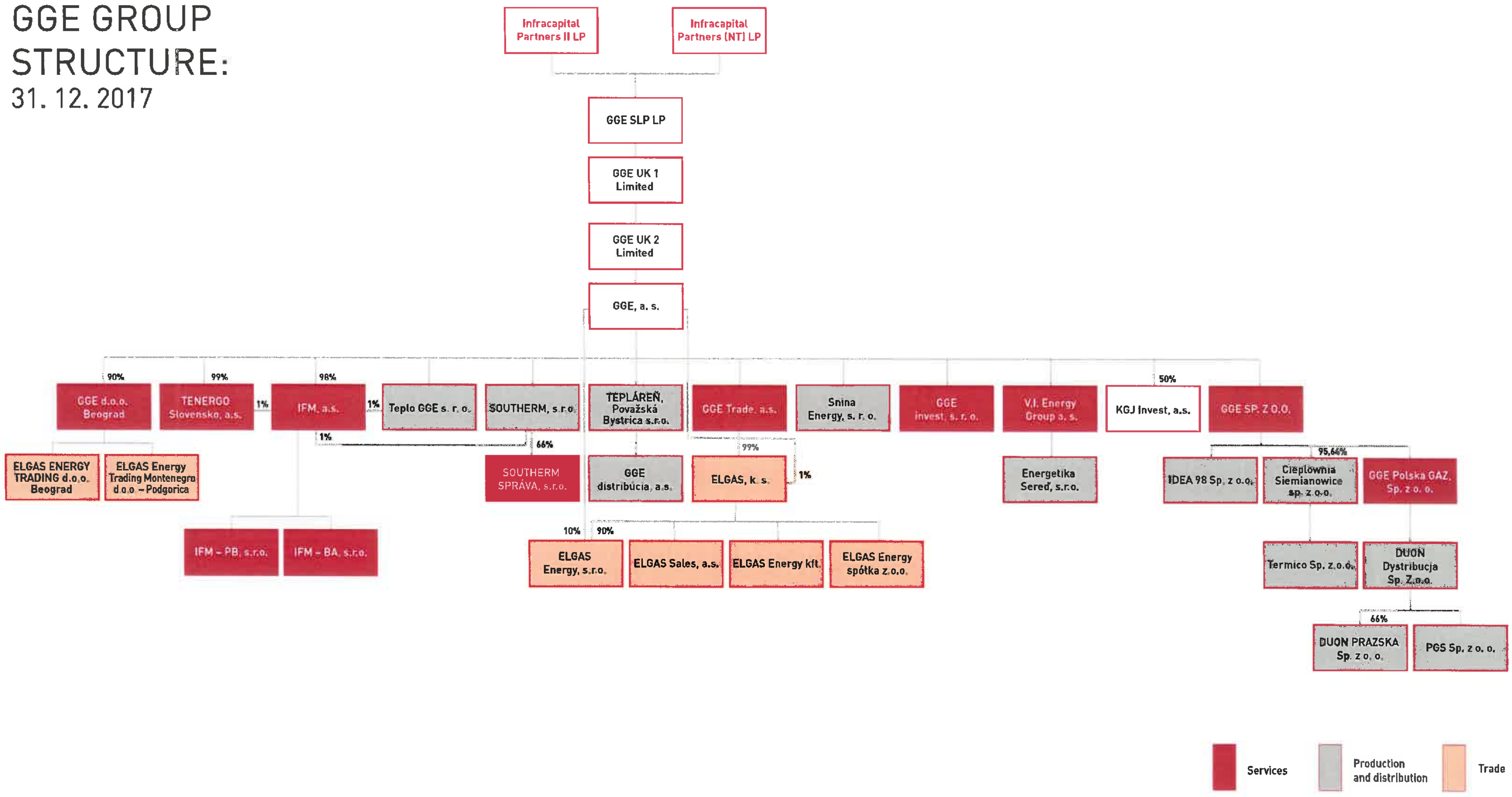
- ELGAS ENERGY TRADING d.o.o. Beograd
- ELGAS Energy Trading Montenegro d.o.o. – Podgorica
- ELGAS, k.s.
- ELGAS Energy, s. r. o.
- ELGAS Sales, a.s.
- ELGAS Energy kft.
- ELGAS Energy spółka z.o.o.
- DUON PRASZKA Sp. z o.o.

PRODUCTION AND DISTRIBUTION:

Production of electric energy and heat
Heating of towns and city areas
Production and supply of heat
Operation of own distribution network

- Teplo GGE s. r. o.
- SOUTHERM, s.r.o.
- TEPLÁREŇ, Považská Bystrica s.r.o.
- GGE distribúcia, a. s.
- Snina Energy, s. r. o.
- Energetika Sereď, s. r. o.
- IDEA 98 Sp. z o.o.
- Cieplownia Siemianowice sp. z.o.o.
- Termico Sp. z.o.o.
- DUON DYSTRYBUCJA S. A.
- PGS Sp. z o.o.

GGE GROUP STRUCTURE:
31. 12. 2017



4. BASIC ORGANISATIONAL STRUCTURE

Jan Vymazal
CEO

Martin Dratva
M&A

Barbora Michalíková
Marketing

Miroslav Hospodár
CIO

Zuzana Molnárova
Head of Secretariat

Juraj Csala
OHS

Lucia Keszeliová
Internal Management Specialist

Alexandra Bučeková
Secretariat

Pavol Jankovič
IT Director

Alexandra Sokolova
SW Specialist

Impletion
External company

Board
External company

Pavol Bero
CFO

Miroslav Struž
CSO

Rudolf Pradla
CPO

Veronika Frčo Nedová
Financing

Michal Marcin
Risk Management

Jana Sopóciová
Controlling

Marta Mlynaričová
Consolidation Manager

Lenka Jakabovičová
Consolidation

Katarína Haladová
Consolidation

Ingrid Deščíková
External Payroll Accountant BA

Beáta Matulová
Accountant

Katarína Lokšenicová
Payroll Accountant PB

Lenka Richnáková
Accountant

Zuzana Zámečníková
Accountant

Martina Slašťanová
Head of Accounting Department

Tomáš Hujo
Accountant

Vladimíra Cetlová
Head Accountant (Martin)

Katarína Lučanská
Accountant

Vladimíra Jurášeková
Accountant

Emília Galovičová
Head Accountant (PB)

Zdena Višenková
Accountant

Daniela Rosinová
Accountant

Marta Búbelová
Accountant

Eva Belanská
Accountant

5. EMPLOYMENT

5.1 GGE a. s.

In 2017, the average number of employees was 33. As at the date of the financial statements, GGE a.s. had 33 employees.

In this area, we do not expect significant growth or decrease in the number of employees. The number of employees is stable and changes only reflect natural fluctuations. Total costs for wages of employees including social charges were EUR 2 211 449.

With the aim of continually increasing the competitiveness of our company, we strive to educate our employees through professional training, workshops and seminars. In the case of middle and higher management, professional conferences are also used. Employees can learn English language with teachers directly at the workplace twice a week. Pre-paid trade magazines significantly contribute to increased skills and knowledge. In the social area, we provide employees with various benefits, we organize sports events and teambuilding.

5.2 GGE GROUP

In 2017 the average number of employees in the GGE Group was 482, including 36 managers.

In this area, we do not expect significant growth or decrease in the number of employees. The number of employees is stable and changes only reflect natural fluctuations. Total costs for wages of employees including payments represent EUR 9 887 000.

With the aim of continually increasing the competitiveness of our company, we strive to educate our employees through professional training, workshops and seminars. Professional conferences are also available for middle and higher management. Pre-paid trade magazines significantly contribute to increasing skills and knowledge. In the social area, we provide employees with various benefits, team buildings, and a Christmas party.

6. VISION AND MISSION

The GGE group aims to bring its customers in Central and Eastern Europe beyond price-acceptable energies produced in accordance with on-going sustainability. We are aware of the energy sector's responsibility in relation to social and environmental aspects of people's lives, and in relation to the competitiveness of economies in which we operate.

Therefore we seek synergies, for example, by using intelligent technologies and solutions in the energy sector. These will increasingly enable us to individually approach the majority of our customer portfolio.

We will also continuously build on GGE Group values. These mainly include the personal growth of employees and, of course, a professional approach to our customers, suppliers and communities.

7. SELECTED ECONOMIC INDICATORS AND FINANCIAL STATUS OF GGE a. s.

7.1 PROPOSAL FOR THE DISTRIBUTION OF PROFIT FOR 2017

The distribution of profit for the accounting period 2017 in the amount after tax of EUR 7 530 450 will be decided by the General Meeting. The proposal of the statutory body to the General. The proposal of the statutory body to the General Meeting is as follows:

ITEM	IN EUR
Profit or loss after tax 2017	7 530 450
Contribution to the reserve fund	0
Accumulated losses from previous periods	7 525 000
Retained earnings	0
Dividends	0
Contribution to the social fund	5 450

7.2 OVERVIEW OF MAIN COMPANY INDICATORS

INDICATOR	SPECIFIC UNIT	2017	2016
Revenues	EUR	4 430 959	3 015 813
of which sales for services	EUR	4 331 341	2 506 007
Costs	EUR	5 645 123	5 909 078
of which depreciation of fixed assets	EUR	174 539	153 149
Added value	EUR	1 719 296	- 162 525
Profit / loss of business activity	EUR	-1 214 164	- 2 893 265
Profit / loss before tax	EUR	7 533 330	- 4 544 290
Profit / loss after tax	EUR	7 530 450	- 4 546 670
Total assets	EUR	215 281 395	192 145 579
of which non-current	EUR	178 835 175	152 380 507
current	EUR	36 309 804	39 428 587
Equity	EUR	71 542 810	36 663 249
Registered capital	EUR	25 002	25 001
Liabilities	EUR	143 734 120	155 482 138

7.3 COMPANY FINANCES

In 2017, the company achieved a financial result - a profit before tax of **EUR 7 533 330.**

In terms of revenue structure, which excluding extraordinary and financial revenues was EUR 4 430 959, the highest percentage share was sales of services of EUR 4 331 341.

Company **costs** excluding extraordinary and financial costs in 2017 were EUR 5 645 123. The highest costs were services of EUR 2 551 683 and personal costs of EUR 2 211 449.

8. SELECTED ECONOMIC INDICATORS AND FINANCIAL STATUS OF THE GGE GROUP

8.1 OVERVIEW OF THE GROUP'S MAIN INDICATORS

INDICATOR	SPECIFIC UNIT (in .000s)	2017	2016
Revenues	EUR	333 224	305 691
of which sales of electric energy	EUR	202 969	174 580
Total liabilities	EUR	276 857	237 178
Short-term liabilities	EUR	124 522	80 820
of which commercial liabilities	EUR	70 854	54 116
Long-term liabilities	EUR	152 335	156 358
Total assets	EUR	334 154	274 647
Total Current Assets	EUR	89 154	76 991
Non-current total assets	EUR	245 000	197 656
Equity	EUR	57 297	37 469
Registered capital	EUR	25	25
Loss before tax	EUR	-7 224	- 1 260
Loss per year	EUR	-7 538	- 6 776

8.2 GROUP FINANCES

In 2017 the GGE Group achieved revenues of **EUR 333 224 000.** The largest share of GGE's revenues was the sale of electricity, which amounted to EUR 202 969 000. A significant part was also generated by sales of gas in the total amount of EUR 99 006 000 and sales of heat of EUR 23 698 000.

The highest total costs of the GGE Group were energy consumption of EUR 291 424 000 and purchases and services of EUR 14 914 000.

9. ASSETS AND LIABILITIES

9.1 GGE a. s.

Non-current assets of the company total EUR 178 835 175.

Long-term financial assets represent a significant proportion of non-current assets of EUR 177 876 419. A significant item is also a long-term tangible asset of EUR 486 148.

Current assets represent EUR 36 309 804.

A significant portion of current assets are short-term receivables of EUR 35 733 895, short-term debts incurred by trade receivables of EUR 472 017, other receivables from affiliated accounting units EUR 35 010 897. The remaining part of current assets consists mainly of financial accounts of EUR 575 346.

Company liabilities as of 31. 12. 2017 amounted to EUR 143 734 120.

A significant part of the company's liabilities are long-term liabilities amounting to EUR 47 318 814 and long-term bank loans totalling EUR 72 820 993. The Company's short-term liabilities amount to EUR 14 741 990, of which a significant part of other liabilities are related entities amounting to EUR 12 061 293.

9.2 GGE GROUP

Long-term fixed assets of the GGE Group amounted to EUR 138 558 000 in 2017. Other non-current intangible assets of the GGE Group amounted to EUR 64 562 000.

GGE Group liabilities as of 31. 12. 2017 amounted to EUR 276 857 000.

A significant part of GGE Group liabilities are long-term liabilities of EUR 152 335 000, of which loans totalling EUR 121 975 000. GGE Group's short-term liabilities amount to EUR 124 522 000, of which trade liabilities amount to EUR 70 854 000 and loans amounting to a total of EUR 51 464 000.

10. INFORMATION ABOUT ACTIVITIES RELATING TO THE ENVIRONMENT, LABOUR LEGAL RELATIONS, R&D, AND THE ORGANISATIONAL UNIT ABROAD

Information about environmental activities is included in the section: Information about the GGE Group.

Labour-legal relations are governed by the valid norms. The company provides employees with standard working conditions and benefits that correspond to employment position. No trade unions are operating in the company.

The company did not develop any R&D activity.

The company does not have an organisational unit abroad.

11. RISKS AND UNCERTAINTIES

The GGE Group will continue to be responsible for the development of new investments that will reflect the Group's strategic direction to meet challenges arising from market and macroeconomic changes.

The group's revenues include electricity feed-in tariffs, determined in part by the operational efficiency of the relevant plants. A decline in the operational efficiency could result in a reduction of the amount of the tariff payable, which may in certain circumstances impact the financial performance of the business.

12. OVERVIEW OF EVENTS THAT OCCURED AFTER THE DATE OF PREPARATION OF THE FINANCIAL STATEMENTS

After 31 December 2017 the following significant events occurred that that do not affect the financial statements for 2017.

On 3 January 2018 a share transfer agreement was concluded between GGE a.s. (the provider) and GGE SP. z.o.o. (acquirer) that concerned the transfer of 100% of the shares of the subsidiary GGE Polska Gaz.

On 11 January 2018 a Subscription and Settlement Agreement was signed between GGE UK1 Limited, GGE UK 2 Limited, GGE a. s., GGE SP., Z. O. O., GGE Polska GAZ SP. Z. O. O. and GGE Flow UK Limited, on the basis of which the company incurred a liability of EUR 29 775 195 (PLN 124 370 988.84) against GGE UK 2 Limited and a claim of the same amount against GGE Sp. Z. O.O.

On 3 January 2018 GGE SP. Z. O. O.'s share capital was increased by EUR 281 817 (PLN 1 177 150).

Changes have also occured in members of GGE a. s. bodies.

On 31 January 2018, the sole shareholder became GGE a.s. in the form of new issued common stock of one euro with issue price of EUR 2 600 000.

Date of compiling annual report is October 2018.

ANNEXES:

Auditor's report and financial statements
as of 31. 12. 2017.

Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors of GGE a. s.:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GGE a. s. (the "Company") as at 31 December 2017, and its financial performance for the year then ended in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act").

What we have audited

The Company's financial statements comprise:
- the balance sheet as at 31 December 2017;
- the income statement for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Reporting on other information in the annual report

Management is responsible for the annual report prepared in accordance with the Accounting Act. The annual report comprises (a) the financial statements and (b) other information.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the year ended 31 December 2017 is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report. We have nothing to report in this respect.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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 financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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.

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SKAU licence No. 161

Slovenská komora audítorov
SKAU
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PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Jozef Prekop
UDVA licence No. 1190

Bratislava, 2 May 2018, except for Reporting on other information in the annual report, for which the date of our report is 20 December 2018.

Our report has been prepared in Slovak and in English. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

UZPODv14_1

Úč POD

FINANCIAL STATEMENTS

of entrepreneurs maintaining accounts under the system of double entry bookkeeping

at 31.12.2017 (in whole euros)

Tax identification number (DIČ)	Financial statements	Accounting entity		Month	Year
2120099641	X ordinary	X small	For the period from	1	2017
Identification number (IČO) 47257814	extraordinary	large	to	12	2017
SK NACE 70.22.0	interim	(vyznačí sa x)	Preceding period from	1	2016
			to	12	2016

Attached parts of the financial statements

X Balance Sheet (Úč POD 1-01) *(in whole euros)*
X Income Statement (Úč POD 2-01) *(in whole euros)*
X Notes to the Financial Statements (Úč POD 3-01) *(in whole euros or eurocents)*

Legal name (designation) of the accounting entity

GGE a. s.

Registered office of the accounting entity

Street: Pekná cesta
Number: 6

Zip code: 83403
Municipality: Bratislava

Designation of the Commercial Register and company registration number

Okresný Súd Bratislava I
Oddiel: Sa, Vložka číslo:6155/B

Telephone: 0911679842
Fax:

Email: hujo@gge.sk

Prepared on:	Approved on:	Signature of the accounting entity's statutory body or a member of the accounting entity's statutory body or the signature of a sole trader who is the accounting entity:
24.04.2018	0. 0.2018	

This form in any foreign language cannot be submitted to the Tax office and it is only for the purpose of helping.

Súvaha
Úč POD 1 - 01

DIČ 2120099641 IČO 47257814

Designation a	ASSETS b	Line No. c	Current accounting period 1: Gross - part 1 / Correction - part 2	Current accounting period: Net 2	Preceding accounting period: Net 3
	TOTAL ASSETS line 02 + line 33 + line 74	01	215856240	215281395	
			574845		192145579
A.	Non-current assets line 03 + line 11 + line 21	02	179169345	178835175	
			334170		152380507
A.I.	Non-current intangible assets total (lines 04 to 10)	03	660873	472608	
			188265		563857
A.I.1	Capitalized development costs (012) - /072, 091A/	04			
2.	Software (013) - /073, 091A/	05			
3.	Valuable rights (014) - /074, 091A/	06	2996	2771	
			225		
4.	Goodwill (015) - /075, 091A/	07	657877	469837	
			188040		563857
5.	Other non-current intangible assets (019, 01X) - /079, 07X, 091A/	08			
6.	Acquisition of non-current intangible assets (041) - /093/	09			
7.	Advance payments made for non-current intangible assets (051) - /095A/	10			
A.II.	Property, plant and equipment total (lines 12 to 20)	11	625571	486148	
			139423		556265
A.II.1.	Land (031) - /092A/	12	277618	277618	
					277618
2.	Structures (021) - /081, 092A/	13	2600	2534	
			66		
3.	Individual movable assets and sets of movable assets (022) - /082, 092A/	14	340227	200870	
			139357		278647

UZPODv14_3

Súvaha
Úč POD 1 - 01

DIČ 2120099641 IČO 47257814

Designation a	ASSETS b	Line No. c	Current accounting period 1 Gross - part 1	Current accounting period 1 Correction - part 2	Current accounting period Net 2	Preceding accounting period Net 3
4.	Perennial crops (025) - /085, 092A/	15				
5.	Livestock (026) - /086, 092A/	16				
6.	Other property, plant and equipment (029, 02X, 032) - /089, 08X, 092A/	17				
7.	Acquisition of property, plant and equipment (042) - /094/	18	5126		5126	
8.	Advance payments made for property, plant and equipment (052) - /095A/	19				
9.	Value adjustment to acquired assets (+/- 097) +/- 098	20				
A.III.	**Non-current financial assets total (lines 22 to 32)**	21	177882901	6482	177876419	151260385
A.III.1.	Shares and ownership interests in affiliated accounting entities (061A, 062A, 063A) - /096A/	22	176814219		176814219	149363900
2.	Shares and ownership interests with participating interest, except for affiliated accounting entities (062A) - /096A/	23				
3.	Other available-for-sale securities and ownership interests (063A) - /096A/	24	475000		475000	475000
4.	Loans to affiliated accounting entities (066A) - /096A/	25				800000
5.	Loans within participating interest, except for affiliated accounting entities (066A) - /096A/	26				
6.	Other loans (067A) - /096A/	27				
7.	Debt securities and other non-current financial assets (065A, 069A,06XA) - /096A/	28	593682	6482	587200	593682

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Designation a	ASSETS b	Line No. c	Current accounting period 1 – Gross - part 1	Current accounting period 1 – Correction - part 2	Current accounting period – Net 2	Preceding accounting period – Net 3
8.	Loans and other non-current financial assets with remaining maturity of up to one year (066A, 067A, 069A, 06XA) - /096A/	29				27803
9.	Bank accounts with notice period exceeding one year (22XA)	30				
10.	Acquisition of non-current financial assets (043) - /096A/	31				
11.	Advance payments made for non-current financial assets (053) - /095A/	32				
B.	**Current assets line 34 + line 41 + line 53 + line 66 + line 71**	33	36550479	240675	36309804	39428587
B.I.	**Inventory total (lines 35 to 40)**	34	563		563	4408
B.I.1.	Raw material (112, 119, 11X) - /191, 19X/	35	563		563	669
2.	Work in progress and semi-finished products (121, 122, 12X) - /192, 193, 19X/	36				
3.	Finished goods (123) - /194/	37				
4.	Animals (124) - /195/	38				
5.	Merchandise (132, 133, 13X, 139) - /196, 19X/	39				3739
6.	Advance payments made for inventory (314A) - /391A/	40				
B.II.	**Non-current receivables total (line 42 + lines 46 to 52)**	41				
B.II.1.	**Trade receivables total (lines 43 to 45)**	42				

Designation a	ASSETS b	Line No. c	Current accounting period 1: Gross - part 1 / Correction - part 2	Current accounting period: Net 2	Preceding accounting period: Net 3
1.a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	43			
1.b.	Trade receivables within participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	44			
1.c.	Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	45			
2.	Net value of contract (316A)	46			
3.	Other receivables from affiliated accounting entities (351A) - /391A/	47			
4.	Other receivables within participating interest, except for receivables from affiliated accounting entities (351A) - /391A/	48			
5.	Receivables from participants, members and association (354A, 355A, 358A, 35XA) - /391A/	49			
6.	Receivables related to derivative transactions (373A, 376A)	50			
7.	Other receivables (335A, 336A, 33XA, 371A, 374A, 375A, 378A) - /391A/	51			
8.	Deferred tax asset (481A)	52			
B.III.	**Current receivables total (line 54 + lines 58 to 65)**	53	35974570	35733895	
			240675		32940931
B.III.1.	**Trade receivables total (lines 55 to 57)**	54	660451	472017	
			188434		348970
1.a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	55	451086	451086	
					216076
1.b.	Trade receivables within participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	56			

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Designation a	ASSETS b	Line No. c	Current accounting period 1: Gross - part 1 / Correction - part 2	Current accounting period: Net 2	Preceding accounting period: Net 3
1.c.	Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - /391A/	57	209365	20931	
			188434		132894
2.	Net value of contract (316A)	58			
3.	Other receivables from affiliated accounting entities (351A) - /391A/	59	35010897	35010897	
					32329384
4.	Other receivables within participating interest, except for receivables from affiliated accounting entities (351A) - /391A/	60			
5.	Receivables from participants, members and association (354A, 355A, 358A, 35XA, 398A) - /391A/	61			
6.	Social security (336A) - /391A/	62			
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347) - /391A/	63			
					11404
8.	Receivables related to derivative transactions (373A, 376A)	64			
9.	Other receivables (335A, 33XA, 371A, 374A, 375A, 378A) - /391A/	65	303222	250981	
			52241		251173
B.IV.	**Current financial assets total (lines 67 to 70)**	66			
B.IV.1.	Current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA) - /291A, 29XA/	67			
2.	Current financial assets, not including current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA) - /291A, 29XA/	68			
3.	Own shares and own ownership interests (252)	69			
4.	Acquisition of current financial assets (259, 314A) - /291A/	70			

Designation a	ASSETS b	Line No. c	Current accounting period 1 – Gross - part 1	Current accounting period – Net 2	Current accounting period 1 – Correction - part 2	Preceding accounting period – Net 3
B.V.	**Financial accounts line 72 + line 73**	71	575346	575346		6483248
B.V.1.	Cash (211, 213, 21X)	72	3175	3175		5674
2.	Bank accounts (221A, 22X, +/- 261)	73	572171	572171		6477574
C.	**Accruals/deferrals total (lines 75 to 78)**	74	136416	136416		336485
C.1.	Prepaid expenses - long-term (381A, 382A)	75	86700	86700		111471
2.	Prepaid expenses - short-term (381A, 382A)	76	49216	49216		175107
3.	Accrued income - long-term (385A)	77				
4.	Accrued income - short-term (385A)	78	500	500		49907

Designation a	EQUITY AND LIABILITIES b	Line No. c	Current accounting period 4	Preceding accounting period 5
	TOTAL EQUITY AND LIABILITIES line 80 + line 101 + line 141	79	215281395	192145579
A.	**Equity line 81 + line 85 + line 86 + line 87 + line 90 + line 93 + line 97 + line 100**	80	71542810	36663249
A.I.	**Share capital total (lines 82 to 84)**	81	25002	25001
A.I.1.	Share capital (411 alebo +/- 491)	82	25002	25001
2.	Change in share capital +/- 419	83		
3.	Unpaid share capital (/-/353)	84		
A.II.	**Share premium (412)**	85	77059075	49709965
A.III.	**Other capital funds (413)**	86		
A.IV.	**Legal reserve funds line 88 + line 89**	87	2500	2500
A.IV.1.	Legal reserve fund and non-distributable fund (417A, 418, 421A, 422)	88	2500	2500
2.	Reserve fund for own shares and own ownership interests (417A, 421A)	89		

Designation a	EQUITY AND LIABILITIES b	Line No. c	Current accounting period 4	Preceding accounting period 5
A.V.	**Other funds created from profit line 91 + line 92**	90		
A.V.1.	Statutory funds (423, 42X)	91		
2.	Other funds (427, 42X)	92		
A.VI.	**Differences from revaluation total (lines 94 to 96)**	93		
A.VI.1.	Differences from revaluation of assets and liabilities (+/- 414)	94		
2.	Investment revaluation reserves (+/- 415)	95		
3.	Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger (+/- 416)	96		
A.VII.	**Net profit/loss of previous years line 98 + line 99**	97	-13074217	-8527547
A.VII.1.	Retained earnings from previous years (428)	98	2181438	2181438
2.	Accumulated losses from previous years (/-/429)	99	-15255655	-10708985
A.VIII.	**Net profit/loss for the accounting period after tax /+-/ line 01 - (l. 81 + l. 85 + l. 86 + l. 87 + l. 90 + l. 93 + l. 97 + l. 101 + l. 141)**	100	7530450	-4546670
B.	**Liabilities line 102 + line 118 + line 121 + line 122 + line 136 + line 139 + line 140**	101	143734120	155482138
B.I.	**Non-current liabilities total (line 103 + lines 107 to 117)**	102	47318814	47211742
B.I.1.	**Non-current trade liabilities total (lines 104 to 106)**	103		
1.a.	Trade liabilities to affiliated accounting entities (321A, 475A, 476A)	104		
1.b.	Trade liabilities within participating interest, except for liabilities to affiliated accounting entities (321A, 475A, 476A)	105		
1.c.	Other trade liabilities (321A, 475A, 476A)	106		
2.	Net value of contract (316A)	107		
3.	Other liabilities to affiliated accounting entities (471A, 47XA)	108	47300468	47189133
4.	Other liabilities within participating interest, except for liabilities to affiliated accounting entities (471A, 47XA)	109		
5.	Other non-current liabilities (479A, 47XA)	110		
6.	Long-term advance payments received (475A)	111		
7.	Long-term bills of exchange to be paid (478A)	112		
8.	Bonds issued (473A/-/255A)	113		
9.	Liabilities related to social fund (472)	114	18346	22609
10.	Other non-current liabilities (336A, 372A, 474A, 47XA)	115		
11.	Non-current liabilities related to derivative transactions (373A, 377A)	116		
12.	Deferred tax liability (481A)	117		

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Desig-nation a	EQUITY AND LIABILITIES b	Line No. c	Current accounting period 4	Preceding accounting period 5
B.II.	**Long-term provisions line 119 + line 120**	**118**		
B.II.1.	Legal provisions (451A)	119		
2.	Other provisions (459A, 45XA)	120		
B.III.	**Long-term bank loans (461A, 46XA)**	**121**	72820993	78900697
B.IV.	**Current liabilities total (line 123 + lines 127 to 135)**	**122**	14741990	23047830
B.IV.1.	**Trade liabilities total (lines 124 to 126)**	**123**	1956816	1919114
1.a.	Trade liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	124	129514	238255
1.b.	Trade liabilities within participating interest, except for liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	125		
1.c.	Other trade liabilities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	126	1827302	1680859
2.	Net value of contract (316A)	127		
3.	Other liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA)	128	12061293	14333973
4.	Other liabilities within participating interest, except for liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA)	129		
5.	Liabilities to partners and association (364, 365, 366, 367, 368, 398A, 478A, 479A)	130	41446	
6.	Liabilities to employees (331, 333, 33X, 479A)	131	97586	452259
7.	Liabilities related to social security (336A)	132	54745	50589
8.	Tax liabilities and subsidies (341, 342, 343, 345, 346, 347, 34X)	133	529881	291895
9.	Liabilities related to derivative transactions (373A, 377A)	134		
10.	Other liabilities (372A, 379A, 474A, 475A, 479A, 47XA)	135	223	6000000
B.V.	**Short-term provisions line 137 + line 138**	**136**	579146	297950
B.V.1.	Legal provisions (323A, 451A)	137	84146	35032
2.	Other provisions (323A, 32X, 459A, 45XA)	138	495000	262918
B.VI.	**Current bank loans (221A, 231, 232, 23X, 461A, 46XA)**	**139**	8273177	6023919
B.VII.	**Short-term financial assistance (241, 249, 24X, 473A, /-/255A)**	**140**		
C.	**Accruals/deferrals total (lines 142 to 145)**	141	4465	192
C.1.	Accrued expenses - long-term (383A)	142		
2.	Accrued expenses - short-term (383A)	143	4198	
3.	Deferred income - long-term (384A)	144		
4.	Deferred income - short-term (384A)	145	267	192

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Designation	Text	Line No.	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
*	**Net turnover (part of account class 6 according to the Act)**	01	4343442	2511037
**	**Operating income total (lines 03 to 09)**	02	4430959	3015813
I.	Revenue from the sale of merchandise (604, 607)	03	12101	5030
II.	Revenue from the sale of own products (601)	04		
III.	Revenue from the sale of services (602, 606)	05	4331341	2506007
IV.	Changes in internal inventory (+/-) (account group 61)	06		
V.	Own work capitalized (account group 62)	07		
VI.	Revenue from the sale of non-current intangible assets, property, plant and equipment, and raw materials (641, 642)	08	13239	116
VII.	Other operating income (644, 645, 646, 648, 655, 657)	09	74278	504660
**	**Operating expenses total line 11 + line 12 + line 13 + line 14 + line 15 + line 20 + line 21 + line 24 + line 25 + line 26**	10	5645123	5909078
A.	Cost of merchandise sold (504, 507)	11	9761	4157
B.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503)	12	62702	62543
C.	Value adjustments to inventory (+/-) (505)	13		
D.	Services (account group 51)	14	2551683	2606862
E.	Personnel expenses total (lines 16 to 19)	15	2211449	2315422
E.1.	Wages and salaries (521, 522)	16	1736732	1972201
2.	Remuneration of board members of company or cooperative (523)	17		
3.	Social security expenses (524, 525, 526)	18	437437	306832
4.	Social expenses (527, 528)	19	37280	36389
F.	Taxes and fees (account group 53)	20	4714	2018
G.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to property, plant and equipment (line 22 + line 23)	21	174539	153149
G.1.	Amortization of non-current intangible assets and depreciation of property, plant and equipment (551)	22	174539	153149
2.	Value adjustments to non-current intangible assets and property, plant and equipment (+/-) (553)	23		
H.	Carrying value of non-current assets sold and raw materials sold (541, 542)	24	10825	116
I.	Value adjustments to receivables (+/-) (547)	25	62616	184542
J.	Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557)	26	556834	580269
***	**Profit/loss from operations (+/-) (line 02 - line 10)**	27	-1214164	-2893265

Designation	Text	Line No.	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
*	**Added value (line 03 + line 04 + line 05 + line 06 + line 07) - (line 11 + line 12 + line 13 + line 14)**	28	1719296	-162525
**	**Income from financial activities - total line 30 + line 31 + line 35 + line 39 + line 42 + line 43 + line 44**	29	16407027	6583029
VIII.	Revenue from the sale of securities and shares (661)	30		
IX.	Income from non-current financial assets total (lines 32 to 34)	31	15198000	5262177
IX.1.	Income from securities and ownership interests in affiliated accounting entities (665A)	32		
2.	Income from securities and ownership interests within participating interest, except for income of affiliated accounting entities (665A)	33		
3.	Other income from securities and ownership interests (665A)	34	15198000	5262177
X.	Income from current financial assets total (lines 36 to 38)	35		
X.1.	Income from current financial assets in affiliated accounting entities (666A)	36		
2.	Income from current financial assets within participating interest, except for income of affiliated accounting entities (666A)	37		
3.	Other income from current financial assets (666A)	38		
XI.	Interest income (line 40 + line 41)	39	1207897	1229189
XI.1.	Interest income from affiliated accounting entities (662A)	40	1174585	1193621
2.	Other interest income (662A)	41	33312	35568
XII.	Exchange rate gains (663)	42	1130	91663
XIII.	Gains on revaluation of securities and income from derivative transactions (664, 667)	43		
XIV.	Other income from financial activities (668)	44		
**	**Expenses related to financial activities - total line 46 + line 47 + line 48 + line 49 + line 52 + line 53 + line 54**	45	7659533	8234054
K.	Securities and shares sold (561)	46		
L.	Expenses related to current financial assets (566)	47		
M.	Value adjustments to financial assets (+/-) (565)	48		
N.	Interest expense (line 50 + line 51)	49	7463960	7761257
N.1.	Interest expenses related to affiliated accounting entities (562A)	50	5499822	5306413
2.	Other interest expenses (562A)	51	1964138	2454844
O.	Exchange rate losses (563)	52	2620	999
P.	Loss on revaluation of securities and expenses related to derivative transactions (564, 567)	53		
Q.	Other expenses related to financial activities (568, 569)	54	192953	471798

Designation a	Text b	Line No. c	Actual data: Current accounting period 1	Actual data: Preceding accounting period 2
***	**Profit/loss from financial activities (+/-) (line 29 - line 45)**	55	8747494	−1651025
****	**Profit/loss for the accounting period before tax (+/-) (line 27 + line 55)**	56	7533330	−4544290
R.	Income tax (line 58 + line 59)	57	2880	2380
R.1.	Income tax - current (591, 595)	58	2880	2909
2.	Income tax - deferred (+/-) (592)	59		−529
S.	Transfer of net profit/net loss shares to partners (+/- 596)	60		
****	**Profit/loss for the accounting period after tax (+/-) (line 56 - line 57 - line 60)**	61	7530450	−4546670

NOTES TO FINANCIAL STATEMENTS 2017

prepared in accordance Directive of Ministry of Finance No.23378/2014-74 (FS No.12/2014), about individual financial statements and the scope of the information to be published in the individual financial statements **of small accounting unit** as amended on 2 December 2015 č. MF/19927/2015-74

Part I – GENERAL INFORMATION

1) Basic information about the company

Name:	**GGE a. s.**
Seat:	Pekná cesta 6, 834 03 Bratislava
Legal form:	Joint stock company
Date of establishment:	incorporated into Commercial Register: 02 June 2015
Main activities of the company:	rent of the property, bookkeeping, economic, organizational and acc. consulting, agency services
Public interest entity:	GGE a. s. is not public interest entity (§ 2/14 ZoU).
Accounting period:	01.01.2017-31.12.2017

2) Date of approval of the financial statement for the previous accounting period

Company's financial statements for the previous accounting period were approved on 24 October 2017.

3) Legal reason for preparing the financial statement

The financial statements of the Company at 31 December 2017 have been prepared as ordinary financial statements in accordance with § 17 Sec. 6 of Act No. 431/2002 Coll. on Accounting as amended („Accounting Act") for the accounting period from 1 January 2017 to 31 December 2017.

4) The consolidated group

a) The consolidated financial statements for the largest group of which the consolidated financial statements according to point b) are part of are prepared by Prudential plc with its seat at Laurence Pountney Hill London EC4R 0HH. A copy of the consolidated financial statements will be made available upon request at the seat of the above stated company.

b) The consolidated financial statements for the smallest group named GGE a. s., of which company is parent company, are prepared by the Company. A copy of the consolidated financial statements will be made available upon request at the seat of the above stated company.

5) Subsidiaries, joint controlling influence and associates

The Company holds certain non-current financial assets in other accounting entities and through these placements the Company exercises its controlling influence, joint controlling influence or significant influence.

The amount of equity at 31 December 2017, the profit or loss for the current accounting period and other information about these entities are shown in the following table:

Business name and seat	Percentage of share in registered capital	Percentag e of voting rights	Amount of equity	Profit/loss	Carrying amount of the non-current financial assets
Controlling influence					
TEPLÁREŇ Považská Bystrica, s.r.o.	100%	100%	33,998,960	8,291,109	71,634,000
GGE Trade, a.s.	100%	100%	47,806,396	90,663	47,850,000
GGE Polska GAZ SP. Z.o. o.	100%	100%	27,943,951	(1,073,591)	27,354,611
Teplo GGE, s.r.o.	100%	100%	4,726,309	473,285	16,015,000
Snina Energy, s.r.o.	100%	100%	772,162	478,870	5,605,000
SOUTHERM, s.r.o.	100%	100%	2,738,445	77,104	3,636,000
GGE d.o.o. BEOGRAD	90%	90%	1,358,069	65,595	1,756,900
V.I. Energy Group a.s.	100%	100%	277,360	61,973	1,750,000
TENERGO Slovensko, a.s.	99%	99%	1,519,718	199,763	1,096,000
GGE SP. Z.o.o.	100%	100%	(573,657)	(184,958)	95,708
IFM, a.s.	98%	98%	3,269	(17,294)	21,000
GGE Invest, s.r.o.	100%	100%	144,774	9,090	-
Joint controlling influence					
KGJ Invest, a.s.	50%	50%	(836,925)	(234,911)	-
Significant influence					
ELGAS, k.s.	1%	1%	(1,020,686)	(4,326,350)	435,000
ELGAS Energy s.r.o.	10%	10%	3 339 773	2 891 118	40,000
Total	x	x	x	x	177,289,219

The prior accounting period information is presented in the following table:

Business name and seat	Percentage of share in registered capital	Percentage of voting rights	Amount of equity	Profit/loss	Carrying amount of the non-current financial assets
Controlling influence					
TEPLÁREŇ Považská Bystrica, s.r.o.	100%	100%	29,713,660	5,010,842	71,634,000
GGE Trade, a.s.	100%	100%	47,806,396	(43,604)	47,850,000
Teplo GGE, s.r.o.	100%	100%	4,579,086	376,203	16,015,000
Snina Energy, s.r.o.	100%	100%	615,191	380,899	5,605,000
SOUTHERM, s.r.o.	100%	100%	2,774,193	147,853	3,636,000
GGE d.o.o. BEOGRAD	90%	90%	136,348	444,714	1,756,900
V.I. Energy Group a.s.	100%	100%	234,956	28,205	1,750,000
TENERGO Slovensko, a.s.	99%	99%	1,500,895	235,268	1,096,000
IFM, a.s.	98%	98%	12,081	2,391	21,000
GGE Invest, s.r.o.	100%	100%	463,984	427,480	-
Joint controlling influence					
KGJ Invest, a.s.	50%	50%	(602,014)	10,861	-
Significant influence					
ELGAS, s.r.o*	1%	1%	13,608,405	10,940,650	435,000
ELGAS Energy s.r.o.	10%	10%	451,618	352,355	40,000
Total	x	x	x	x	149,838,900

*The legal form of the entity transformed to limited partnership as of 1 March 2017.

6) Number of staff

Item	Current accounting period	Previous accounting period
Average number of staff during the accounting period	33	30

Part II – THE COMPANY'S BODIES AND SHAREHOLDERS

	31.12.2017	31.12.2016
Board of Directors		
Chairman	Alberto Signori	Alberto Signori
Vice chairman	Max Helmore	Max Helmore
	Mathieu Lief	Mathieu Lief
	Steven Johnson	Steven Johnson
Members	Pavol Bero	Pavol Bero
	Rudolf Pradla	Rudolf Pradla
	Miroslav Strúž	Miroslav Strúž
		Roland Tóth
Supervisory Board		
Chairman	Martin Lennon	Martin Lennon
Members	Paulo Ruzzini	Paulo Ruzzini
	Dominik Radziwill	Dominik Radziwill
	Stephen Nelson	Stephen Nelson

No guarantees or other guarantees, loans, forgiven loans, written off loans were provided to the statutory body and the supervisory body

The Company's shareholders

The structure of the Company's shareholders at 31 December 2017:

Shareholder	Share of the registered capital Absolute	In %	Percentage of voting rights	Other share in equity items other than registered capital %
GGE UK 2 LIMITED	25,002	100.00 %	100.00 %	100.00 %
Total	25,002	100.00%	100.00%	100.00 %

The structure of the Company's shareholders at 31 December 2016:

Shareholder	Share of the registered capital Absolute	In %	Percentage of voting rights	Other share in equity items other than registered capital %
GGE UK 2 LIMITED	25,001	100.00 %	100.00 %	100.00%
Total	25,001	100.00%	100.00%	100.00%

Part III –ACCOUNTING METHODS APPLIED

1) Basis of preparation

The Company keeps its books on the accrual basis of accounting which means that all revenues and costs are recognized when generated or incurred and not when cash is received or paid, and they are recorded in the books in the periods to which they relate.

All monetary amounts in the financial statements are stated in whole euros, unless stated otherwise.

The Company's financial statements have been prepared in accordance with the Slovak Accounting Act and related accounting procedures, on a going concern basis.

2) Method of valuation of assets and liabilities

a. Non-current intangible and tangible assets

Acquired non-current assets are stated at cost, which includes the acquisition price and the related acquisition costs (such as customs duty, transport, assembly, insurance etc.).

Non-current intangible assets - goodwill is depreciated according to depreciation plan which has been prepared in accordance with Act on Accounting, therefore is depreciated using a straight line method over 7 years. Depreciation begins as of the first day of the month in which the asset was first put into use. Non-current intangible assets with an acquisition cost (or their own cost) not exceeding EUR 2,400 are not recorded on the balance sheet and are expensed immediately when put into use.

Non-current tangible assets are depreciated according to depreciation plan which has been prepared on the basis of their expected economic useful lives relating to the recovery of future economic benefits from these assets. Depreciation begins as of the first day of the month in which the asset was first put into use, using the straight-line method in line with depreciation groups:

Group 1 - 4 years

Group 2 - 6 years

Group 3 - 8 years

Group 4 - 12 years

Group 5 - 20 years

Group 6 -40 years

Non-current tangible assets with an acquisition cost (or their own cost) not exceeding EUR 1,700 are not recorded on the balance sheet and are expensed immediately when put into use

b. Goodwill

Goodwill is recognised upon a purchase or contribution of a business or part thereof provided that the purchase price or recognised amount of the contribution is higher than the fair value of individual identifiable assets and liabilities at which the assets and liabilities are measured in buyer's books or in the books of the acquirer of the contribution. Negative goodwill is credited to acc. 015-Goodwill. When accounting for goodwill, the amount must be determined by which future economic benefits will be increased in relation to goodwill and/or decreased in relation to negative goodwill. If it is probable that any future increase of economic benefits will be lower than the amount of goodwill posted to acc. 015 - Goodwill, the relevant part of goodwill is written off upon purchase or the contribution of the business or part thereof. The resulting negative goodwill is expensed immediately and credited to acc. 551 – Depreciation of non-current intangible and tangible assets with corresponding debit entry to acc. 075 – Accumulated depreciation of goodwill.

Goodwill is recognized upon a merger, fusion or split provided that the book value of the share of the participating entity in the other participating entity is higher than the fair value of assets and liabilities relating to that share. The book value upon merger or split is understood to be the amount of the share measured at fair value. Negative goodwill is credited to acc. 015 – Goodwill. The amount of the increase of future economic benefits resulting from goodwill and/or a decrease of future economic benefits resulting from negative goodwill must be ascertained when accounting for goodwill. If it is probable that any future increase of economic benefits will be higher than the amount of goodwill posted to acc. 015 – Goodwill, the relevant part of goodwill is amortised in full upon a merger, fusion or split. The resulting negative goodwill is expensed in full and credited to acc. 551 – Depreciation of non-current intangible assets and non-current tangible assets with a corresponding debit entry to acc. 075 – Accumulated depreciation of goodwill.

For an in-kind contribution, such as part of a business ("contribution of business"), the acquirer of the contribution accounts for individual identifiable assets and liabilities in the relevant accounts and measures them at fair value. The difference between the fair value of individual identifiable assets and liabilities and the amount of a contribution in-kind ("recognized amount of the contribution") is accounted for, according to its nature, as goodwill or negative goodwill in acc. 015 – Goodwill.

For further information about goodwill refer to part IV. point 1)

c. Non-current financial assets

When acquired, securities and ownership interests are stated at cost, which includes the acquisition price and the related acquisition costs.

The Company records securities and intercompany shares, realisable securities and shares, debt securities held to maturity and other financial investments. The Company valuates decrease in securities, in case of the same type of security and from the same issuer and same currency, by the weighted average price.

At the balance sheet date, the Company performs analysis of fair value of securities and ownership interests in subsidiaries and associates. In case of temporary decrease of fair value of securities and ownership interests in subsidiaries and associates impairment provision is created to decrease its net realisable value. Impairment provision is released if the risk pass away. Changes in the fair value of securities and ownership interests that comprise a share of the registered capital of another company and are not securities and ownership interests in a subsidiary or a company with a substantial influence are recorded, to financial expenses affecting income.

d. Inventories

Acquired inventories are stated at cost, which includes the acquisition price and the related acquisition costs (such as customs duty, transport, insurance and commission, etc.) less discounts. A discount granted to inventories already sold or used is accounted for as the reduction of costs of inventories sold or used. The Company used method A for the accounting treatment of inventories. For stock withdrawal, the the FIFO-method is used.

If the acquisition or production cost of inventories is higher than their net realizable value at the balance sheet date, a valuation allowance for inventories is set up in the amount of the difference between their book value and their net realizable value. Net realizable value is the estimated sales price of inventories less the estimated costs for their completion and costs related to their sale.

e. Financial accounts

Financial accounts consist of cash and bank account balances, where the risk of changes in the value of these assets is negligibly low.

f. Receivables

When initially recognized, receivables are stated at their nominal value. A valuation allowance is set up for bad and doubtful debts, for which a default risk exists.

If the remaining period to maturity of a receivable is longer than one year, a valuation allowance representing the difference between its nominal and present value is set up. The present value of a receivable is calculated as the sum of future discounted cash receipts.

g. Prepaid expenses and accrued income

Prepaid expenses and accrued income are recognized at an amount reflecting the accrual principle (matching income and expense in the same accounting period).

h. Liabilities including loans

When initially recognized, liabilities are stated at their nominal value. Assumed liabilities are stated at cost. If reconciliation procedures reveal that the actual amount of liabilities differs from the amount stated in the books, these liabilities are stated in the books and financial statements at this actual amount.

i. Provisions

Provisions are liabilities representing the Company's present obligation resulting from past events, if it is probable that its settlement will reduce the Company's resources in the future. Provisions are liabilities of uncertain timing or amount, and are stated at the expected amount of the existing liability at the balance-sheet date.

The set-up of a provision is posted to the respective expense account or asset account to which the liability relates. The use of a provision is debited to the respective provision account, with a corresponding credit to the respective liability account. The release of an unnecessary provision, or a part thereof, is accounted for using an accounting entry inverse to the recognition of the set-up of the provision.

The Company set up provisions for untaken holiday, bonuses and audit of financial statements.

j. Employee benefits

Wages, salaries, contributions to the Slovak state pension and social insurance plans, paid annual leave and paid sick leave, bonuses and other non-monetary benefits (such as medical care) are recognized in the accounting period when incurred.

k. Income tax due

Corporate income tax is expensed in the period when the tax liability arises. In the accompanying income statement, the tax expense is calculated on the basis of the profit/ (loss) before taxes adjusted for tax-deductible and tax non-deductible items due to permanent and temporary adjustments to the tax base and any tax losses carried forward. The tax liability is stated net of corporate income tax advances that the Company paid during the year. If corporate income tax advances paid during the year exceed the tax liability for the period, the Company records an income tax receivable.

l. Deferred income tax

Deferred income tax arises from temporary differences between the carrying amount of assets and liabilities presented in the balance sheet and their tax base.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

To determine deferred income tax, tax rates expected to apply at the date on which the deferred tax is settled are used.

Deferred tax is not applied on goodwill or negative goodwill on initial recognition. Deferred tax is applied to temporary differences related to goodwill or negative goodwill when the differences arise after its initial recognition (e.g. due to different tax and book depreciation charges) if no temporary differences arose on the initial recognition of goodwill or negative goodwill.

m. Accrued expenses and deferred revenues

Deferred revenues and accrued expenses are stated at their nominal value and are stated at an amount reflecting the accrual principle (matching income and expenses in the same accounting period).

n. Foreign currency

Assets and liabilities in foreign currency (with the exception of prepayments received and granted) are converted to euros using the reference exchange rate set and published by the European Central Bank or the National Bank of Slovakia on the day preceding the day of the accounting event, or on the balance-sheet date. The resulting foreign exchange differences are recorded to the income statement.

o. Expense recognition

Cost of services received a recognized net of VAT.

Interest expense are recognized straight line over the accounting periods using the accrual basis.

p. Revenue recognition

Revenues from the sale of goods are recognized upon transferring risks and rewards of ownership of the goods, usually when the goods are delivered. If the Company agrees to transport goods to a specific location, revenue is recognized when the goods are passed to the customer at the destination point.

Revenues from the sale of services are recognized in the accounting period in which the services are rendered, taking into account the extent to which the given transaction is completed. This extent is assessed based on the actual services provided as a proportion of the total services agreed.

Sales revenues are stated net of VAT, discounts and deductions (such as rebates, bonuses and credit notes). Interest income is recognized straight line over the accounting periods using the accrual basis. Dividend income is recognized when the right of the Company to receive the payment is established.

The Company's revenues primarily include revenues from the sale of services for subsidiaries.

Part IV – INFORMATION SUPPORTING THE INCOME STATEMENT ITEMS

ASSETS

1) Non-current intangible assets

Company recognized a non-current intangible assets - Goodwill, which arose in the revaluation of the assets and liabilities of the dissolving companies due to merger of the companies GGE a.s. (corporate ID: 36 746 941) and ARTMEDIA, a.s. (corporate ID: 31 397 042) and Gerlach Bidco, a.s. (corporate ID: 47 257 814) as at 1 January 2016. The successor company is Gerlach Bidco, a.s. (currently renamed to GGE a. s.).

Goodwill was calculated in amount of EUR 657,877. The company chose to depreciate goodwill during the estimated useful life of the property, i.e., 7 years.

2) Non-current tangible assets

Non-current tangible assets are pledged as collateral in favour of UniCredit Bank Czech Republic and Slovakia, a.s.

3) Non-current financial assets

In 2017 and 2016 Company did not account for non-current financial assets hedged by derivatives. Non-current financial assets are pledged as collateral in favour of UniCredit Bank Czech Republic and Slovakia, a.s.

4) Loans provided

An overview of loans provided is presented in the following table:

Item	Currency	Annual interest p. a. in%	Maturity date	Principal in EUR 31.12.2017	Principal in EUR 31.12.2016
Long-term loans:				**0**	**0**
Short-term loans, of which:				**32,891,421**	**32,329,384**
TEPLÁREŇ Považská Bystrica, s.r.o.	EUR	3,503	On demand	20,088,605	20,088,486
Teplo GGE s.r.o.	EUR	4,003	On demand	4,925,043	4,925,038
Snina Energy, s.r.o.	EUR	4,003	On demand	2,476,228	2,716,628
SOUTHERM, s.r.o.	EUR	4,003	On demand	2,284,643	2,284,643
GGE SP. Z O.O.	EUR	4	On demand	1,586,487	1,135,466
Elgas Energy SP, Z.O.O.	EUR	4	31.12.2018	859,803	0
IFM, a.s.	EUR	4,093	On demand	0	75,910
KGJ Invest, a.s.	EUR	5	On demand	670,612	644,261
TENERGO Slovensko, a.s.	EUR	4,093	On demand	0	75,975
GGE d.o.o	EUR	4,093	On demand	0	382,977
Total	**x**	**x**	**x**	**32,891,421**	**32,329,384**

Short term loans are provided to subsidiaries. From total amount of EUR 35,010,897 are receivables from dividends EUR 2,119,476. From table above, interest is in amount of EUR 1,174,591.

5) Liabilities

In 2017 the Company did not account for long-term liabilities with maturity more than 5 years.

Total amount of secured liabilities as at 31.December 2017 is EUR 81,094,170 (2016: EUR 84,924,616), out of which EUR 80,980,194 (2016: EUR 84,760,936) is pledges as collateral in favour of UniCredit Bank Czech Republic and Slovakia, a.s., except for assets which is pledged as collateral in favour of VOLKSWAGEN Finančné služby Slovensko s.r.o. for liabilities from autocredit loans in amount of EUR 113,976 (2016: EUR 163,680).

6) Bank loans and debt securities issued

An overview of principal of bank loans is presented in following table:

Item	Currency	Annual interest p. a. in%	Maturity date	Principal in EUR 31.12.2017	Principal in EUR 31.12.2016
Long-term loans, of which:				**72,757,822**	**78,788,312**
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA	EUR	EURIBOR + 2%	21.09.2020	11,286,450	17,520,300
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA	EUR	EURIBOR + 2,25%	21.09.2020	61,471,372	61,268,012
Short-term loans, of which:				**8,173,850**	**5,906,250**
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA	EUR	EURIBOR + 2%	21.09.2020	8,173,850	5,906,250
Total				**80,931,672**	**84,694,562**

7) Loans received

An overview of loans received is presented in following table:

Item	Currency	Annual interest p. a. in%	Maturity date	Principal in EUR 31.12.2017	Principal in EUR 31.12.2016
Long term:				**54,042,551**	**47,189,133**
GGE UK 2 LIMITED	EUR	10	21.09.2030	47,300,468	47,189,133
Short term, of which:				**12,061,293**	**14,333,973**
GGE UK 2 LIMITED	EUR	10	21.09.2030	6,744,144	8,044,244
ELGAS, k. s.	EUR	4	On demand	0	2,237,250
TEPLÁREŇ Považská Bystrica, s.r.o.	EUR	3,503	On demand	3,542,951	3,027,269
TENERGO Slovensko, a.s.	EUR	4	31.12.2018	100,000	0
GGE Invest, s.r.o.	EUR	4	31.12.2018	66,797	0
TEPLO GGE, s.r.o.	EUR	5	31.12.2018	718,027	0
SOUTHERM, s.r.o.	EUR	4,090	On demand	889,374	1,025,210
Total				**59,361,761**	**61,523,106**

These loans were granted by subsidiaries or parent company. Total amount of loans received is EUR 59,361,761, of which EUR 5,498,037 is unpaid interest.

8) Items of expenses and revenues extraordinary in scope or occurrence

Company did not recognized revenue or expense items extraordinary in scope or occurrence in 2017.

Part V – OTHER ASSETS AND OTHER LIABILITIES

1a) **Contingent assets**– no events occurred during the accounting period which would trigger the existence of contingent asset.

1b) **Contingent liabilities** – no events occurred during the accounting period which would trigger the existence of contingent asset.

A contingent liability is:

a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or

a present obligation that arises from past events but is not recognised on balance sheet because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Many areas of Slovak tax law (such as transfer-pricing regulations) have not been sufficiently tested in practice, so there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. The uncertainty will be reduced only if legal precedents or official interpretations are available. The Company's management is not aware of any circumstances that may give rise to a future material expense in this respect.
The Company does not record other financial liabilities not recognized in the financial statements that would result in a statutory or contractual obligation to withdraw a certain amount of product, investment, or major repairs.

Part VI – POST BALANCE SHEET EVENTS
(Subsequent events)

After 31 December 2017 until the date of Financial Statements preparation occurred following significant events:

On 3 January 2018, a Share Transfer Agreement between the GGE a. s. (seller) and the GGE SP z. o. o. (buyer) was concluded. Subject of the contract was the transfer of 100% of the share of the subsidiary GGE Polska Gaz.

On 11 January 2018, a "Subscription and settlement agreement" was signed between GGE UK 1 Limited, GGE UK 2 Limited, GGE a. s., GGE SP, Z.o.o., GGE Polska GAZ Sp. Zoo. and GGE Flow UK Limited, on the basis of which the Company incurred a liability of EUR EUR 29,775,195 (PLN 124,370,988.84) against GGE UK 2 Limited and a claim in the same amount against GGE Sp. Zoo.

On 3 January 2018, the share capital of GGE Sp z.o.o. was increased in amount of EUR 281,817 (PLN 1,177,150).

There have been also changes in the members of the bodies of GGE a. s.

On 31 January 2018 was increased share capital of GGE a. s. in the form of new issued common share in amount of EUR 1 with issue rate of EUR 2,599,999.

No other facts that needed to be disclosed in the financial statements have occurred.

GGE a.s.

Consolidated Financial Statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards as adopted by European Union

December 2018

Translation note:

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors of GGE a. s.:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of GGE a. s. and its subsidiaries (together - the "Group") as at 31 December 2017, and 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.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Reporting on other information in the consolidated annual report

Management is responsible for the consolidated annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The consolidated annual report comprises (a) the consolidated financial statements and (b) other information.

Our opinion on the consolidated financial statements does not cover the other information.

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava, 815 32, Slovak Republic
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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated annual report 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.

With respect to the consolidated annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the year ended 31 December 2017 is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report. We have nothing to report in this respect.

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism 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 management.
- Conclude on the appropriateness of management's 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 management 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.

Slovenská komora audítorov
SKAU
Č. licencie 161
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SKAU licence No. 161

Ing. Jozef Prekop
UDVA licence No. 1190

Bratislava, 2 May 2018, except for Reporting on other information in the consolidated annual report, for which the date of our report is 20 December 2018.

Contents

Approval of the Consolidated Financial Statements

Following Consolidated Financial Statements including accompanying Notes to the Consolidated Financial Statements of GGE a. s. were hereby authorized and approved for issue on behalf of the Board of Directors.

Max Helmore	Pavol Bero
Vice Chairman of Board of Directors	Member of Board of Directors
Date 27 April 2018	Date 27 April 2018

GGE a. s.
Consolidated Statement of Financial Position

In thousands of EUR	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	138,558	93,634
Goodwill	8	38,707	38,031
Other intangible assets	9	64,562	63,942
Financial investments	11	32	21
Deferred income tax assets	27	2,434	988
Other receivables	14	707	1,040
Total non-current assets		**245,000**	**197,656**
Current assets			
Inventories	13	3,171	3,598
Trade and other receivables	14	66,273	54,206
Current income tax receivables		125	70
Financial investments	11	997	992
Restricted cash	12	322	6,336
Cash and cash equivalents	15	18,266	11,789
Total current assets		**89,154**	**76,991**
TOTAL ASSETS		**334,154**	**274,647**
EQUITY			
Share capital	17	25	25
Legal reserve fund	18	3	3
Capital funds and other reserves	18	77,176	49,837
Retained earnings		(20,228)	(12,723)
Equity attributable to the Company's owners		**56,976**	**37,142**
Non-controlling interest	31	321	327
TOTAL EQUITY		**57,297**	**37,469**
LIABILITIES			
Non-current liabilities			
Borrowings	19	121,975	127,219
Deferred income tax liabilities	27	23,532	23,159
Non-current government grants		554	579
Other non-current liabilities	21	6,274	5,401
Total non-current liabilities		**152,335**	**156,358**
Current liabilities			
Borrowings	19	51,464	16,980
Trade and other payables	20	70,854	54,116
Finance lease liabilities		1,347	60
Current income tax payables		475	2,944
Current government grants		26	26
Other current liabilities	21	356	6,694
Total current liabilities		**124,522**	**80,820**
TOTAL LIABILITIES		**276,857**	**237,178**
TOTAL LIABILITIES AND EQUITY		**334,154**	**274,647**

In thousands of EUR	Note	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Revenue	22	**333,224**	**305,691**
Net gains or losses from commodity derivatives	30	2,673	(2,626)
Energy consumption	23	(291,424)	(245,216)
Consumables and services	24	(14,914)	(17,390)
Labour and related expenses	25	(9,887)	(9,921)
Depreciation and amortisation	7, 9	(17,342)	(18,090)
Other operating income	26	568	589
Other operating expenses	26	(2,553)	(3,741)
Interest income		96	116
Interest expense		(7,801)	(8,754)
Goodwill impairment	8	-	(1,509)
Other finance gains		225	-
Other finance losses		(89)	(409)
Loss before income tax		**(7,224)**	***(1,260)***
Income tax expense	27	(314)	(5,516)
LOSS FOR THE YEAR		**(7,538)**	***(6,776)***
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency		(21)	(12)
Other comprehensive loss for the year		***(21)***	***(12)***
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,559)**	**(6,788)**
Loss is attributable to:			
Owners of the Company		(7,532)	(6,854)
Non-controlling interest		(6)	78
Loss for the year		**(7,538)**	**(6,776)**
Total comprehensive loss is attributable to:			
Owners of the Company		(7,553)	(6,866)
Non-controlling interest		(6)	78
Total comprehensive loss for the year		**(7,559)**	**(6,788)**

In thousands of EUR	Note	Share capital	Share premium	Legal reserve fund	Foreign currency translation reserve	Retained earnings	Total	Non controlling interest	Total equity
		Attributable to owners of the Company							
Balance at 1 January 2016		**25**	**49,867**	**3**	**(18)**	**(5,867)**	**44,010**	**191**	**44,201**
Loss for the year		-	-	-	-	(6,854)	**(6,854)**	78	**(6,776)**
Other comprehensive loss		-	-	-	(12)	-	**(12)**	-	**(12)**
Total comprehensive loss for the year		-	-	-	**(12)**	**(6,854)**	**(6,866)**	**78**	**(6,788)**
Other movements		-	-	-	-	(2)	**(2)**	58	**56**
Balance at 31 December 2016		**25**	**49,867**	**3**	**(30)**	**(12,723)**	**37,142**	**327**	**37,469**
Loss for the year		-	-	-	-	(7,532)	**(7,532)**	(6)	**(7,538)**
Other comprehensive loss		-	-	-	(21)	-	**(21)**	-	**(21)**
Total comprehensive loss for the year		-	-	-	**(21)**	**(7,532)**	**(7,553)**	**(6)**	**(7,559)**
Shareholder contribution	33	-	27,360	-	-	-	**27,360**	-	**27,360**
Other movements		-	-	-	-	27	**27**	-	**27**
Balance at 31 December 2017		**25**	**77,227**	**3**	**(51)**	**(20,228)**	**56,976**	**321**	**57,297**

In thousands of EUR	Note	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Cash flows from operating activities			
Loss before income tax		(7,224)	(1,260)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	7	6,490	7,484
Amortisation and impairment of other intangible assets	9	10,852	10,606
Impairment of trade and other receivables	14	229	944
Income from receivables write-off and cession	14	76	(271)
Amortisation of government grants		(26)	-
Provision for overconsumption of CO2		(46)	-
Impairment of goodwill		-	1,509
Losses less (gains) on disposals of property, plant and equipment		105	5
Unrealised losses less gains on commodity derivatives		1,363	3,565
Interest income		(96)	(116)
Interest expense		7,801	8,754
Other non-cash operating income / (expenses)		8	(648)
Margin earned on construction of service concession asset		-	(79)
Foreign exchange translation differences		(21)	(8)
Operating cash flows before working capital changes		**19,511**	**30,485**
Increase/(decrease) in trade and other receivables	14	6,183	(12,705)
Increase/(decrease) in inventories	13	808	(2,194)
Increase in trade and other payables	20	(815)	9,473
Decrease in other liabilities	21	(1,180)	(193)
Changes in working capital		**4,996**	**(5,619)**
Income taxes paid	27	(5,685)	(2,055)
Interest received		87	116
Interest paid		(11,467)	(3,677)
Net cash generated by operating activities		**7,442**	**19,250**
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(2,680)	(2,840)
Purchases of intangible assets	9	(1,834)	(1,565)
Proceeds from sale of property, plant and equipment		543	-
Loand granted to related parties		-	(127)
Net transfer to or from a restricted cash account	12	-	414
Acquisition of a subsidiary, net of cash acquired	33	1,878	(3,671)
Net cash used in investing activities		**(2,093)**	**(7,789)**
Cash flows from financing activities			
Proceeds from borrowings	19	8,199	4,381
Repayment of borrowings	19	(7,070)	(12,425)
Net cash generated by / (used in) financing activities		**1,129**	**(8,044)**
Net increase in cash and cash equivalents		**6,477**	**3,417**
Cash and cash equivalents at the beginning of the period	15	**11,789**	**8,372**
Cash and cash equivalents at the end of the period	15	**18,266**	**11,789**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the period ended 31 December 2017 for GGE a. s. (the "Company") and its subsidiaries (the "Group"), pursuant to Article 22 of Act 431/2002 on Accounting.

On 23 June 2016, the company Gerlach Bidco, a.s. and its subsidiaries GGE a.s. and ARTMEDIA, a.s. concluded a merger agreement, under which the companies GGE a.s. and ARTMEDIA, a.s. legally merged into the company Gerlach Bidco, a.s. and the legal successor assumed all the rights and obligations of its merged subsidiaries as of the effective date of 1 January 2016. Effective from 13 August 2016, Gerlach Bidco, a.s. changed its business name to GGE a. s.

The Company's parent company is GGE UK 2 Limited which is ultimately controlled by Prudential plc. The Group's ultimate parent produces consolidated financial statements that are available for public use at its registered seat in London, Laurence Pountney Hill, United Kingdom, EC4R 0HH.

The Company is not a shareholder with unlimited liability in any company.

The Group employed 482 staff as of 31 December 2017 (2016: 335 staff), of which 36 were managers (2016: 35 managers).

Principal activity. The Group's principal business activities are within the energy sector in several Central and Eastern European markets, with the focus on the following range of products and services:

- Production and distribution of heat;
- Production and distribution of electricity;
- Gas and electricity supply;
- Construction services in the energy sector.

The Group's heat power plants and distribution networks are located in the Slovak Republic and in Poland in the following municipalities: Považská Bystrica, Snina, Želiezovce, Bratislava, Dunajská Streda, Sereď, Siemianowice Śląskie, Tarnowskie Góry, Pyskowice, Praszka, Odolanów and Wysogotowo. In addition to generation and distribution of heat and electricity the Group trade with electricity and gas in both Slovak and Polish market. Outside the Slovak Republic and Poland, the Group is currently present in the Czech Republic, Serbia and Hungary. In the Czech Republic and Serbia, the Group's principal activity is a supply of electricity and gas and provision of services. In Hungary, the Group operates as a supplier of electricity and gas.

Registered address and place of business. The Company's registered address is Pekna cesta 6, 834 03 Bratislava, Slovakia.

Members of the Company's Bodies.

Body	*Function*	*31 December 2017*	*31 December 2016*
Board of Directors	Chairman	Alberto Signori	Alberto Signori
	Member		Stephen Nelson (till 24 October 2016)
	Member	Mathieu Lief	Mathieu Lief
	Member	Max Helmore	Max Helmore (from 21 July 2016)
	Member	Pavol Bero	Roland Toth (from 21 July 2016)
	Member	Rudolf Pradla	Pavol Bero (from 21 July 2016)
	Member	Miroslav Struž	Rudolf Pradla (from 21 July 2016)
	Member		Miroslav Struž (from 21 July 2016)
	Member	Steven Johnson	Steven Johnson (from 25 October 2016)
Supervisory Board	Chairman	Martin Lennon	Martin Lennon (from 21 July 2016)
	Member		Ed Clarke (till 20 July 2016)
	Member	Paollo Ruzzini	Milton Fernandes (till 24 October 2016)
	Member	Dominik Radziwill	Paolo Ruzzini (from 21 July 2016)
	Member	Steven Nelson	Dominik Radziwill (from 21 July 2016)
	Member		Steven Nelson (from 25 October 2016)

Presentation currency. These consolidated financial statements are presented in Euro ("EUR") rounded to thousands, unless otherwise stated.

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 as adopted by the EU") under the historical cost convention, as modified by the fair value revaluation of derivative instruments at fair value through profit or loss. 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 (refer to Note 4).

Management reserves the right to amend these financial statements after authorising them for issue. According to § 16, Sections 9 to 11 of the Slovak Accounting Act (Act No. 431/ 2002 as amended), an entity's accounting records cannot be reopened after the financial statements have been prepared and approved. If, after the financial statements have been approved, management discovers that the comparative information is not consistent with the current period's information, the Accounting Act allows entities to restate comparative information in the accounting period in which the relevant facts are identified.

The preparation of the financial statements in line with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements have been prepared on a going concern basis. In December 2017, the Group acquired GGE Polska Gaz sp. z o.o. (group Duon) from its parent in the transaction under common control and as part of the acquisition the Group acquired a significant related party loan of EUR 30 million (refer to Note 33). The loan is presented as short-term as it was refinanced with the long-term loan from the parent company in 2018 (refer to note 38). However, as a result of Duon acquisition, the Group's current liabilities exceed its current assets by EUR 35 million at 31 December 2017. The ability of the Group to continue its operations depends on its ability to generate sufficient funds from operations. The Group earned positive EBITDA (profit before tax, interest, depreciation and amortisation), positive cash flows from operating activities, and net increase in cash and cash equivalents in the periods presented in these consolidated financial statements. During the periods presented, the Group met the financial covenants per its bank facilities agreement related mainly to the leverage and debt service, refer to Note 35. The Group management believes that sufficient funds will be generated in the future to repay the liabilities as they become due.

Based on the factors described above, the Group's management believe that the Group will continue trading as a going concern.

Since 1 January 2016 an amendment to the act no. 513/1991 Commercial Code (paragraph 67) has come into effect in Slovakia which defines specific situations when a legal entity is considered as "company in crisis". The main factors considered are 1) ratio between the equity and liabilities, 2) insolvency and over-indebtedness. The legal entity that meets the definition of the company in crisis faces certain legal obligations for management of that company and limitations on what those companies are allowed to do for example in relation to repayments of related party loans. The subsidiary ELGAS, k.s. has met the criteria described above during the year 2017 and the Group management plans to take measures in 2018 to remedy this situation.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. 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.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

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 the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

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 the 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 related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt 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 of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the prospective predecessor values method. Under this method subsidiaries are consolidated from the date on which they are transferred to the Group by the party under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for which the purchase is accounted for in these consolidated financial statements is recognized as an adjustment to retained earnings within 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 in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposals of subsidiaries or joint ventures. When the Group ceases to have control or joint control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently 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 Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost 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.

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 measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 36.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured. Refer to Notes 36.

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, such as those paid to agents, advisors or brokers and dealers. Transaction costs do not include financing costs or internal administrative costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including 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 consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing 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. The Group's financial assets represent (i) loans and receivables carried at amortised cost and (ii) financial assets at fair value through profit or loss which are financial derivatives designated as such upon initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Derivative financial instruments, including interest rate swaps and commodity derivatives, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting. The fair value of derivative instruments is disclosed in Note 30.

Classification of financial liabilities. Financial liabilities are categorized as (i) fair value through profit or loss which also include financial derivatives and (ii) other financial liabilities. Liabilities at fair value through profit or loss are carried at fair value with changes in value recognised in profit or loss as other finance gains or losses in respect of interest rate swaps and as net gains from commodity derivatives when related to energy derivatives. Other financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all 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.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Costs of minor repairs and 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 retired.

At the 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 and assets under construction are 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
Buildings and halls	20 to 40
Distribution networks	20 to 50
Boilers, cogeneration units and other machinery	8 to 15
Vehicles and other equipment	3 to 8
Low-value non-current tangible assets	2

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

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

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in finance lease liabilities in the statement of financial position. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. 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 and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Carrying value of goodwill is compared to the recoverable amount which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is monitored at operating segment level. Refer to Note 8.

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 disposed operation, generally measured on the basis of the relative values of the disposed operation 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 licences from service concession arrangements as described below and capitalised computer software.

Service concession arrangements. The Group, as an operator, entered into public-to-private service concession arrangements, if (a) the government entity or municipality in the arrangement controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the government entity or municipality controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group recognises an intangible asset and corresponding liability, as applicable, from the service concession arrangement to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The Group recognises as an intangible asset (a) infrastructure that the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the Group access for the purpose of the service arrangement. The infrastructure that Group constructs is initially recognised at cost measured with reference to fair value of the construction service provided by the Group. The infrastructure acquired from a third party for the purposes of the service arrangement is initially recognised at cost. The existing infrastructure to which the grantor gives the Group access for the purposes of the service arrangement is initially recognised at cost. Where infrastructure was acquired as part of business combination the cost is represented by its fair value at acquisition date. The intangible assets are further carried at the amount initially recognised less any accumulated amortisation and any accumulated impairment losses. The amortisation is charged using the straight-line method over the term of the arrangement.

Each rental payment to the grantor is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other liabilities. The interest cost is charged to profit or loss over the arrangement period using the effective interest method.

Software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them 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.

Software is amortised using the straight-line method over its useful lives of 2 - 6 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.

Impairment of non-financial assets. Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted in the respective jurisdictions by the end of the reporting period. 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.

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 for 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. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted in the respective jurisdictions 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 that it is probable future that the temporary differences will be reversed in the future and there is sufficient taxable profit 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. Dividend income is currently not subject to income tax in the Slovak Republic for corporate tax payable.

Since 1 September 2012, Slovak companies engaged in business in regulated industries, which generally include licensed distribution of heat, electricity and/or supply of electricity and gas are obliged to pay the special levy. The levy is payable, if the revenues from regulated activities achieve at least 50% of the total revenues of the individual entities of the Group for the respective accounting period. The Group's obligation to pay the levy arises when the profit before tax of the respective entity for the accounting period is at least EUR 3 million. The levy rate in 2016 was 4.356% per annum in a full year of operation.

The levy was calculated as the multiple of the given rate and the excess of accounting profit before tax determined under Slovak generally accepted accounting principles over EUR 3 million. From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). The rate of special levy used for the calculation for 2017 and 2018 is 8.712% p.a., then for the years 2019 - 2020 the rate 6.54% p.a. applies and 4.356% will apply from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate. The Group has accounted for the levy within the other operating expenses.

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 recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business of which settlement is expected within 12 months. Other receivables with settlement expected after 12 months are presented as non-current and include cash collaterals required by the regulators or other market participants and prepaid insurance premiums.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral or other credit enhancements, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue, generally more than 30 days, and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

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.

Construction contracts. A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset within trade and other receivables or a liability within trade and other payables. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Cash and cash equivalents and restricted cash. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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. Restricted balances are excluded from cash and cash equivalents and presented separately on the statement of financial position. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are classified as other non-current assets. Cash and cash equivalents and restricted cash are carried at amortised cost using the effective interest method.

Share capital. Ordinary shares with discretionary dividends 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 on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services 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 when they relate to the same taxable entity. In the context of the Group's current structure, VAT assets of different Group companies may not be offset against VAT liabilities of other Group companies. 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 initially recognised at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and 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, if the commencement date for capitalisation is on or after 1 January 2009.

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 the Group's average funding cost (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.

Government grants. Grants from the government, except for allotted emission allowances, 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 included in non-current liabilities as deferred income and are credited to other operating income in the profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are not recognised but are disclosed, unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are not recognised, but are disclosed if an inflow of economic benefits is probable.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's presentation currency is the national currency of the Slovak Republic, Euro ("EUR") which is also the functional currency of the Company.

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the European Central Bank ("ECB") 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 ECB are recognised in profit or loss as other finance gains or losses when related to finance activities such as bank borrowings, otherwise as other operating income or expense 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.

Group companies. 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 recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of each Group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;
(ii) income and expenses 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 dates of the transactions);
(iii) components of equity are translated at the historic rate; and
(iv) all resulting exchange differences are recognised in 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. Exchange differences arising are recognised in other comprehensive income.

At 31 December 2017, the principal rate of exchange used for translating foreign currency balances was EUR 1 = CZK 25.535, EUR 1 = RSD 119.194, EUR 1 = HUF 310.33, EUR 1 = PLN 4.177 .

The principal average rate of exchange used for translating income and expenses was EUR 1 = CZK 26.326, EUR 1 = RSD 121.471, EUR 1 = HUF 309.193, EUR 1 = PLN 4.257.

Revenue recognition. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria are met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies pertaining to the sale have been resolved.

Revenue of the Group mainly includes revenue from supply and distribution of heat, gas, electricity and other utilities ("energy").

Revenue from energy supply and distribution is recognised when the energy is delivered to the customer. Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer. Consumption of large customers is metered and billed on a monthly basis. The consumption of the small businesses and households is generally metered on an annual basis but billed monthly on the basis of agreed billing profile. Energy supplied but not yet measured is estimated on the historical consumption statistics and contracted selling prices.

Contracts on the receipt or delivery of non-financial items, in particular gas and electricity, entered into under the Group's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

Contracts on the receipt or delivery of commodities which do not meet the above definition of own-use contracts are accounted for as derivative financial instruments.

Revenue from the service concession arrangements. The Group recognises and measures revenue from the service concession arrangements in accordance with IAS 11 "Construction contracts" (construction or upgrade services) and IAS 18 "Revenue" (operation services) for the services it performs under the arrangements. If the Group performs more than one service under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

Revenue from sale of services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

***Other revenue* represents** income from other business operations not directly attributable to the principal activities of the Group.

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

Emission Allowances. In 2005, the EU-wide greenhouse gas emission allowances trading scheme came into effect, together with the Act on Emission Allowances Trading passed by the Slovak Parliament in order to implement the related EU Directive in the Slovak Republic. Under this legislation, the Group is allotted a certain number of emission allowances and is required to deliver these allowances to the Slovak Environmental Office to offset actual greenhouse gas emissions.

The Group has opted to account for the allotted emission allowances using the net liability method, and recognises a liability for actual emissions only when the Group has been initially allotted insufficient emission allowances to cover its actual emissions. The provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, which represents the market price of the number of allowances required to cover emissions made up to the end of reporting period.

Emission allowances purchased by the Group are recognized on the trade date. Purchased emission allowances are recognized as intangible assets and measured at acquisition costs. The intangible asset representing the emissions allowances is carried at acquisition costs subject to impairment. If impaired, the carrying amount of emission allowances recognized as intangible assets is written down to their fair value less costs to sell. Unused emission allowances, which cannot be transferred to subsequent trading period, are written off.

Employee benefits. Wages, salaries, contributions to the Slovak Republic and other countries state pension and social insurance funds, 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. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution schemes and legally defined retirement payments.

Offsetting financial instruments. 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. Such a right of offset (i) must not be contingent on a future event and (ii) must be legally enforceable in all of the following circumstances: (a) in the normal course of business; (b) in the event of default; (c) in the event of insolvency or bankruptcy.

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:

Impairment of goodwill. The management tests goodwill for impairment at least annually. The impairment test for goodwill is based on certain assumptions pertaining to the future, which are regularly adjusted. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on enterprise value calculations or fair value of underlying property as described in Note 8.

Provisional fair values in accounting for the GGE Polska Gaz sp. z o.o. group business combination. The Group has not finalised the initial accounting for the acquisition of GGE Polska Gaz sp. z o.o. (Duon group) as of the date of preparation of these consolidated financial statements. The Group used the option under IFRS to use provisional fair values to value assets and liabilities acquired. The management expects that the fair values of assets and liabilities acquired and consequently of goodwill recognised will change upon the final determination during 2018 and comparatives will be retroactively adjusted in the Group's 2018 financial statements, if necessary.

Impairment of property, plant and equipment and intangible assets. The management has assessed that there is no significant impairment of property, plant and equipment and intangible assets on the basis of an evaluation of the current use and expected future revenues and the regulatory environment. The management has assumed that the level of both production and sales will be maintained over the useful lives of the property, plant and equipment and intangible assets. Therefore, adjustments for impairment may be required in the future if actual sales are significantly reduced.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use.

However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Non-current tangible assets are depreciated based on the estimated useful life. Any differences between this depreciation period and their actual useful life may have a significant impact on these consolidated financial statements.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation charge for the period between 1 January 2017 and 31 December 2017 would be to increase it by EUR 721 thousand (2016: EUR 832 thousand) or decrease it by EUR 590 thousand (2016: EUR 680 thousand).

Contracts on the receipt or delivery of non-financial items. The Group enters into contracts with commodities, in particular gas and electricity. The management uses judgement based on the purpose of the contract to classify the contracts in those entered into under the Group's expected purchase, sale or usage requirements (own-use contracts), which are not accounted for as derivative financial instruments, but rather as executory contracts, and other contracts not meeting own-use classification.

Electricity commodity derivatives. Management evaluated contracts for provision of balancing services during 2016 and 2017. Management identified embedded commodity derivatives in the contracts and decided that the bifurcation criteria were met, and thus separated the option based derivatives from the host contracts.

Under the contracts, the customers pay premium fees over the duration of the contracts that should cover the exposure from the embedded derivatives. As a result of the balancing services provided under these contracts during the period, the Group recognised a net gain from these commodity derivatives of EUR 1,590 thousand (2016: EUR 2,210 thousand).

Market price for managing the electricity consumption deviation is dependent on multiple factors and the behaviour of the overall market in Slovakia and as such is out of the Group's control. Positive and negative deviations of individual market participants and the overall market balance at a specific point of time in the future is not predictable.

Estimated fair value of the derivatives open from balancing services agreements as of 31 December 2017 was determined by the management using the discounted cash flow model and Monte-Carlo model at EUR 1,015 thousand (2016: EUR 1,409 thousand).

The Group has revalued other electricity trading contracts which do not meet the criteria for own-use exemption and their fair value as of 31 December 2017 amounted to net loss of EUR 1,208 thousand (positive fair value of EUR 11.2 million, negative fair value of EUR 12.5 million).

Gas commodity derivative. During the period, the Group entered into a balancing services agreement and a series of contracts related thereto, which include a combination of embedded forward sales of gas with notional amount of EUR 14.2 million (2016: EUR 14.6 million) and forward purchases of gas with notional amount of EUR 15.2 million (2016: EUR 131 thousand), a written gas volume flexibility option and a written option to provide gas to balance daily deviations, all with the maturity dates in 2018. The management estimated the fair value of the individual contracts and embedded derivatives requiring separation from the host contract as of 31 December 2017 using the valuation techniques, such as discounted cash flow model and Monte-Carlo model. The valuation estimate resulted in an unrealised gain of EUR 1,208 thousand (2016: EUR 131 thousand) and unrealised loss of EUR 1,167 thousand (2016: EUR 4,221 thousand) booked as of 31 December 2017. The fair value revaluation as of 31 December 2016 was realised in profit or loss of the year 2017.

The most significant input in the fair value estimate as of 31 December 2017 is the gas market price. Were the gas market prices decrease or increase by 10% from management estimates, the impact on net loss from commodity derivatives for the year 2017 would be insignificant (period between 1 January 2016 and 31 December 2016: the impact on net gain from commodity derivatives would be to increase or decrease it by EUR 1,585 thousand).

4 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2017, but did not have any material impact on the Group:

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 19.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

5 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2017, and which the entity has not early adopted:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group has started to assess the impact of the new standard on the Group's consolidated financial statements. The Group expects impact on the provisions for doubtful receivables, however has not yet developed a reasonable estimate of the expected increase in provisions especially because the Group has not yet assessed the forward looking information, including macro-economic forecasts and probabilities assigned to alternative macro-economic outlooks, to determine the effects of adopting the standard that will be recognised against opening balance of retained earnings as of 1 January 2018.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

In accordance with the transition provisions in IFRS 15 the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year-ending 31 December 2018 which will be the first year when the Group will apply IFRS 15.

The Group plans to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 will result in changes in accounting policies and adjustments to be recognised in the consolidated financial statements. The Group has started to assess the impact of the new standard on the Group's consolidated financial statements. The Group is analyzing its revenue streams for the year ended 31 December 2017, individual contracts' terms and the basis of the facts and circumstances that existed at that date, in view of simplified transition method application. Due to the complexity of the analysis, the management of the Group has not yet developed a reasonable estimate of the impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

The following standards, interpretations and amendments are not expected to have any material impact on the Group's consolidated financial statements:

- IFRIC 23 "Uncertainty over Income Tax Treatments"* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 2, Share-based Payment* (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 Cycle* (issued on 8 December 2016 and effective for annual periods beginning on after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17, Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

* These new standards, amendments and interpretations have not been endorsed by the European union yet.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or have 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 2017, the outstanding balances with related parties were as follows:

In thousands of EUR	Immediate parent company	Other significant shareholders	Entities under common control	Key management personnel	Joint venture	Ultimate controlling party
Financial investments						
Trade and other receivables	-	-	-	-	-	-
Current financial investments						
- Loans (contractual interest rate: 5%)	-	-	-	-	671	-
Impairment provision for current financial investments at 31 December						
Borrowings						
- Loans (effective interest rate: 10%)	(54,041)	-	-	-	-	-
- Loans (contractual interest rate: 7%)			(29 728)			
Trade and other payables	-	-	-	-	(44)	-

At 31 December 2016, the outstanding balances with related parties were as follows:

In thousands of EUR	Immediate parent company	Other significant shareholders	Entities under common control	Key management personnel	Joint venture	Ultimate controlling party
Financial investments						
Trade and other receivables	-	-	-	-	152	-
Current financial investments						
- Loans (contractual interest rate: 5%)	-	-	-	-	669	-
Impairment provision for current financial investments at 31 December	-	-	-	-	-	-
Borrowings						
- Loans (effective interest rate: 10%)	(55,084)	-	-	-	-	-
Trade and other payables	-	-	-	-	(53)	-

The loans provided by the immediate parent company have a maximum maturity date at 21 September 2030. Refer to Note 19. The loan from entity under common control has been acquired during acquisition of Duon Group, refer to Note 33, and refinanced with a long term loan from the immediate parent company in 2018, refer to Note 38.

The income and expense items with related parties for the period between 1 January 2017 and 31 December 2017 were as follows:

In thousands of EUR	**Imme-diate parent company**	**Other signifi-cant share-holders**	**Entities under common control**	**Key mana-gement person-nel**	**Joint venture**	**Ultimate control-ling party**
Revenue from sale of electricity	-	-	-	606	-	-
Revenue from sale of gas	-	-	-	-	545	-
Net gains or losses from derivatives	-	-	-	(417)	-	-
Energy consumption	-	-	-	(824)	(161)	-
Consumables and services	-	-	-	(571)	-	-
Other						
Interest income	-	-	-	-	26	-
Interest expense	(5,240)	-	-	-	-	-

The income and expense items with related parties for the period between 1 January 2016 and 31 December 2016 were as follows:

In thousands of EUR	**Imme-diate parent company**	**Other signifi-cant share-holders**	**Entities under common control**	**Key mana-gement person-nel**	**Joint venture**	**Ultimate control-ling party**
Revenue from sale of gas	-	-	-	-	667	-
Energy consumption	-	-	-	-	(257)	-
Interest income	-	-	-	-	65	-
Interest expense	(5,262)	-	-	-	-	-

Key management compensation. Key management includes executive directors and financial directors of individual entities within the Group. Key management compensation table is presented below:

	1 January 2017 to 31 December 2017		**1 January 2016 to 31 December 2016**	
In thousands of EUR	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	1,468	-	1,289	-
- Short-term bonuses	829	-	1,238	-
- Benefits in-kind	57	-	42	-
Total	**2,353**	**-**	**2,569**	**-**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

7 Property, Plant and Equipment

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

In thousands of EUR	Note	Land, buildings and structures	Plant, machinery & equipment	Construction in progress	Total
Cost at 1 January 2017		51,840	50,215	825	102,880
Accumulated depreciation		(2,611)	(6,635)	-	(9,246)
Carrying amount at 1 January 2017		**49,229**	**43,580**	**825**	**93,634**
Acquisition through the business combinations	33	1,248	42,878	3,410	47,536
Additions		-	-	4,526	4,526
Transfers		919	3,688	(4,607)	-
Disposals		(545)	(98)	(5)	(648)
Depreciation charge		(1,932)	(4,558)	-	(6,490)
Carrying amount at 31 December 2017		**48,919**	**85,490**	**4,149**	**138,558**
Cost at 31 December 2017		53,403	96,676	4,149	154,228
Accumulated depreciation		(4,484)	(11,186)	-	(15,670)
Carrying amount at 31 December 2017		**48,919**	**85,490**	**4,149**	**138,558**

In 2016:

In thousands of EUR	Note	Land, buildings and structures	Plant, machinery & equipment	Construction in progress	Total
Cost at 1 January 2016 (restated)		51,149	46,531	684	98,364
Accumulated depreciation		(525)	(1,514)	-	(2,039)
Carrying amount at 1 January 2016 (restated)		**50,624**	**45,017**	**684**	**96,325**
Acquisition through the business combinations	33	335	717	-	1,052
Additions		-	-	3,746	3,746
Transfers		356	3,249	(3,605)	-
Disposals		(1)	(4)	-	(5)
Depreciation charge		(2,085)	(5,399)	-	(7,484)
Carrying amount at 31 December 2016		**49,229**	**43,580**	**825**	**93,634**
Cost at 31 December 2016		51,840	50,215	825	102,880
Accumulated depreciation		(2,611)	(6,635)	-	(9,246)
Carrying amount at 31 December 2016		**49,229**	**43,580**	**825**	**93,634**

Included in plant, machinery and equipment are assets held under finance leases with a carrying value of EUR 46 thousand.

At 31 December 2017 and at 31 December 2016, substantially all property, plant and equipment have been pledged to third parties as collateral for borrowings. Refer to Note 19.

8 Goodwill

The carrying amount of goodwill was EUR 38,707 thousand as at 31 December 2017 (2016: EUR 38,031 thousand). Goodwill arises on the acquisition of subsidiaries and the calculation is based on the fair value of net assets acquired in line with the Group accounting policy and on the provisional fair value of net assets acquired in line with the Group accounting policy for acquisition in 2017. Refer to Note 33.

Goodwill Impairment Test

The Group tests goodwill for impairment at least annually. The impairment test for goodwill is based on certain assumptions pertaining to the future, which are regularly adjusted.

The Group has reassessed its impairment test of cash-generating units that are represented by business operations in individual entities. As a result of its reassessment, the Group has not recognized any impairment.

For the purposes of annual goodwill impairment test, the fair values were determined based on 30-year discounted cash flow models and based on enterprise value calculations (Level 3 in fair value hierarchy) using the assumed EBITDA multiples. The multiples considered by management were based on the available market reports for the particular industry sectors. The EBITDA considered by management reflect the actual performance of each segment (production and distribution, supply).

If the EBITDA multiples or the actual EBITDA had been 5% lower than management's estimates, the impairment test would show no surplus over the carrying amount of non-current assets including goodwill. If the EBITDA multiples or the actual EBITDA had been 25% lower than management's estimates, the Group would need to reduce the carrying value of goodwill for the tested segments to zero. The resulting impairment charge to property, plant and equipment would be immaterial.

Had any impairment been recognised, the Group would not be able to reverse any impairment losses that arose on goodwill in subsequent periods even if circumstances improve.

9 Other Intangible Assets

In thousands of EUR	Note	Service concession agreements	Acquired software licences	Emission rights	Other	Total
Cost at 1 January 2017		73,195	74	1,229	50	74,548
Accumulated amortisation		(10,250)	-	(350)	(6)	(10 606)
Carrying amount at 1 January 2017		**62,945**	**74**	**879**	**44**	**63,942**
Acquisition through business combinations	33	-	-	-	8,260	8,260
Additions		2,199	134	879	-	3,212
Amortisation charge		(9,973)	-	(879)	-	(10,852)
Carrying amount at 31 December 2017		**55,171**	**208**	**879**	**8,304**	**64,562**
Cost at 31 December 2017		75,394	208	2,108	8,310	86,020
Accumulated amortisation		(20,223)	-	(1,229)	(6)	(21,458)
Carrying amount at 31 December 2017		**55,171**	**208**	**879**	**8,304**	**64,562**

In 2016:

In thousands of EUR	Note	Service concession agreements	Acquired software licences	Emission rights	Other	Total
Cost at 1 January 2016 (restated)		69,693	98	350	321	70,462
Accumulated amortisation		(2,223)	(27)	-	(299)	(2,549)
Carrying amount at 1 January 2016 (restated)		**67,470**	**71**	**350**	**22**	**67,913**
Acquisition through business combinations	33	2,421	-	-	28	2,449
Additions		3,304	3	879	0	4,186
Amortisation charge		(10,250)	-	(350)	(6)	(10,606)
Carrying amount at 31 December 2016		**62,945**	**74**	**879**	**44**	**63,942**
Cost at 31 December 2016		73,195	74	1,229	50	74,548
Accumulated amortisation		(10 250)	-	(350)	(6)	(10 606)
Carrying amount at 31 December 2016		**62,945**	**74**	**879**	**44**	**63,942**

At 31 December 2017 intangible assets carried at EUR 208 thousand (2016: EUR 513 thousand) have been pledged to third parties as collateral with respect to borrowings and other long term liabilities towards municipalities. Refer to Notes 19 and 21.

Service concession agreements. The Group has entered into service concession arrangements of a similar nature with several municipalities in Slovakia. The arrangements will mature in the years 2021 - 2036 and involve the Group as an operator (1) constructing or upgrading the infrastructure used to provide the public service of production and distribution of energy and (2) operating and maintaining that infrastructure for a specified period of time under non-cancellable agreements or without time limitation, subject to termination after notice period of ten years.

The arrangements convey to the Group the right to use the rented and newly built infrastructure during the term of the arrangement and the Group is obliged to deliver the infrastructure built by the Group to the grantors at the end of the concession period for a pre-determined residual value.

The Regulatory Office for Network Industries (Úrad pre reguláciu sieťových odvetví, "URSO") regulates activities of the energy sector in Slovakia, in which the Group operates. The principal regulated activities of the Group include production, distribution and supply of electricity, gas, heat and water.

Annually, the URSO approves cap prices for each entity within the Group, including those entities operating under the service concession arrangements, that performs one or more of the above activities, based on the proposed prices submitted by the entities to the regulator. The prices are determined based on the eligible costs, including tax depreciation derived from regulated assets base as determined by URSO and a reasonable profit margin.

10 Investments in Joint Venture

The carrying amount of the Group's investment in joint venture is zero for the periods presented.

As at 31 December 2017 and 2016 the Group holds 50% interest in the KGJ Invest a.s. The entity is a separate legal entity with principal business activities in heating operations and a place of business in Slovakia. The entity was part of the transaction in business combination (refer to Note 33). Summarised financial information of the joint venture for the whole financial year of the entity as at 31 December is as follows:

In thousands of EUR	2017	2016
Current assets	1,722	1,752
Non-current assets	2,298	2,593
Current liabilities	(3,345)	(2,004)
Non-current liabilities	(1,511)	(2,941)
Net liabilities of the joint venture as at 31 December	**(836)**	**(600)**
Revenue	1,201	1,322
Profit / (loss) from business operations	(57)	200
Total comprehensive profit / (loss)	(235)	11

11 Financial Investments

In thousands of EUR	2017	2016
Other financial investments	32	21
Non-current financial investments	**32**	**21**
Loans issued	995	986
Other financial investments	2	6
Less: Provision for impairment of loans issued	-	-
Current financial investments	**997**	**992**
Total financial investments	**1,029**	**1,013**

The movements in gross amount of financial investments are as follows:

In thousands of EUR	Note	Other financial investments	Total non-current financial investments	Loans issued – current	Other financial investments	Total financial investments
Gross amount at 1 January 2017		**21**	**21**	**986**	**6**	**1,013**
Interest income accrued		11	11	9	-	**20**
Disposals		-	-	-	(4)	**(4)**
Gross amount at 31 December 2017		**32**	**32**	**995**	**2**	**1,029**

In 2016:

In thousands of EUR	Note	Other financial investments	Total non-current financial investments	Loans issued – current	Other financial investments	Total financial investments
Gross amount at 1 January 2016 (restated)		**51**	**51**	**1,017**	**4**	**1,072**
Loans issued		-	-	127	2	**129**
Disposals		(30)	**(30)**	(158)	-	**(188)**
Gross amount at 31 December 2016		**21**	**21**	**986**	**6**	**1,013**

Analysis by credit quality of loans issued outstanding at 31 December is as follows:

In thousands of EUR	2017	2016
Neither past due nor impaired		
- other loans not settled after the end of the period	324	317
Total neither past due nor impaired	324	317
Loans individually determined to be impaired (gross)		
- due loan issued to the joint venture (Note 10)	671	669
Total individually impaired loans (gross)	671	669
Less impairment provision	0	-
Total loans issued	995	986

The Group applied the impairment methodology prescribed by IAS 39 "Financial Instruments: Recognition and Measurement", and created provisions for impairment losses that were incurred and specifically identified on individual loans, by the end of the reporting period, mainly within the energy and gas supply segment. The Group's policy is to classify each loan as 'individually impaired' when specific objective evidence of impairment of the loan is identified.

The Group applied the methodology prescribed by IAS 28 "Investments in Associates and Joint Ventures", and released an impairment provision of EUR 42 thousand (2016: created provision of EUR 42 thousand) for share of loss of joint venture which was charged against the loan issued to the joint venture (refer to Note 10). The loan is not past due and is not collateralised.

12 Restricted cash

Restricted cash of EUR 322 thousand (2016: EUR 330 thousand) is held in banks as collateral for the bank guarantees issued by these banks with maturity in 2017. As of 31 December 2016, restricted cash of EUR 6,000 thousand was held in a bank as an escrow account for the business combination as an unpaid portion of the purchase price. The balance has been paid in 2017.

The amount of restricted cash as of 31 December 2017 is neither past due, nor impaired. The carrying amount of restricted cash approximates its fair value.

13 Inventories

In thousands of EUR	2017	2016
Gas	2,477	3,121
Coal	180	348
Raw materials	141	82
Other inventory	373	47
Total inventories	3,171	3,598

At 31 December 2017 and at 31 December 2016, substantially all inventories have been pledged to third parties as collateral for borrowings. Refer to Note 19.

14 Trade and Other Receivables

In thousands of EUR	Note	2017	2016
Trade receivables		45,940	39,894
Receivables from construction contracts	16	521	1,167
Accrued revenues		3,651	7,901
Cash collaterals		2,119	2,529
Fair value of commodity derivatives	36	13,425	1,540
Other financial receivables		731	641
Less provision for impairment of trade receivables		(818)	(744)
Less provision for impairment of other financial receivables		(222)	(283)
Total financial assets within trade and other receivables		**65,347**	**52,645**
Other tax receivables		605	1,611
Prepayments		649	490
Deferred expenses		372	471
Other non-financial receivables		7	29
Total trade and other receivables		**66,980**	**55,246**
Non-current portion:		707	1,040
- Cash collaterals		447	929
- Deferred expenses		260	111
Current portion:		66,273	54,206

Trade and other receivables net of impairment loss provisions are denominated in currencies as follows:

In thousands of EUR	2017	2016
- EUR	50,768	46,000
- Polish Zloty	8,278	4,923
- Czech Koruna	6,545	829
- Serbian Dinar	1,241	2,072
- Other	148	1,422
Total trade and other receivables	**66,980**	**55,246**

At 31 December 2017 and at 31 December 2016, substantially all trade and other receivables have been pledged to third parties as collateral with respect to borrowings. Refer to Note 19.

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

		2017	
In thousands of EUR	**Note**	**Trade receivables**	**Other financial receivables**
Provision for impairment at 1 January		**744**	**283**
Provision for impairment during the period	26	74	(61)
Provision for impairment at 31 December		**818**	**222**

		2016	
In thousands of EUR	**Note**	**Trade receivables**	**Other financial receivables**
Provision for impairment at 1 January		**83**	**-**
Provision for impairment during the period	26	661	283
Provision for impairment at 31 December		**744**	**283**

Analysis by credit quality of current trade and other financial receivables outstanding at 31 December 2017 is as follows:

		2017	
In thousands of EUR	**Trade receivables**	**Other financial receivables**	**Fair value receivables**
Neither past due nor impaired			
- Settled after the end of the period and before 29 February of subsequent year	39,184	1,456	-
- Receivables not settled after the end of the period or before 29 February of subsequent year	1,226	2,440	-
- Receivables from cash collaterals with maturity within 12 months	-	1,672	-
- Fair value of commodity derivatives	-	-	13,425
Total neither past due nor impaired	**40,410**	**5,568**	**13,425**
Past due but not impaired			
- less than 60 days overdue	3,023	122	-
- 60 to 90 days overdue	667	67	-
- 91 to 180 days overdue	570	43	-
- 181 to 360 days overdue	581	23	-
- over 360 days overdue	390	457	-
Total past due but not impaired	**5,231**	**712**	**-**
Individually determined to be impaired (gross)			
- less than 60 days overdue	2	30	-
- 60 to 90 days overdue	-	56	-
- 91 to 180 days overdue	-	12	-
- 181 to 360 days overdue	1	-	-
- over 360 days overdue	815	122	-
Total individually impaired	**818**	**222**	**-**
Less impairment provision	**(818)**	**(222)**	**-**
Total	**45,642**	**6,280**	**13,425**

In 2016:

	2016		
In thousands of EUR	**Trade receivables**	**Other financial receivables**	**Fair value receivables**
Neither past due nor impaired			
- Settled after the end of the period and before 29 February of subsequent year	31,916	201	-
- Receivables not settled after the end of the period or before 29 February of subsequent year	4,371	8,901	-
- Receivables from cash collaterals with maturity within 12 months	-	1,600	-
- Fair value of commodity derivatives	-	-	1,540
Total neither past due nor impaired	**36,287**	**10,702**	**1,540**
Past due but not impaired			
- less than 60 days overdue	2,191	-	-
- 60 to 90 days overdue	983	10	-
- 91 to 180 days overdue	216	-	-
- 181 to 360 days overdue	432	75	-
- over 360 days overdue	208	1	-
Total past due but not impaired	**4,030**	**86**	**-**
Individually determined to be impaired (gross)			
- less than 60 days overdue	-	283	-
- 60 to 90 days overdue	1	-	-
- 91 to 180 days overdue	-	-	-
- 181 to 360 days overdue	3	-	-
- over 360 days overdue	740	-	-
Total individually impaired	**744**	**283**	**-**
Less impairment provision	**(744)**	**(283)**	**-**
Total	**40,317**	**10,788**	**1,540**

The primary factors that the Group considers in determining whether a receivable is impaired are its overdue status, the realisability of related collateral or other credit enhancement, if any, the assessment of individual debtor considering the historical experience and the payment discipline of a particular customer. Based on the assessment, management may decide that trade and other receivables may not be impaired even if they have not been settled within 180 days of their due date.

After the end of the period the trade receivables categorised in the aged bucket of "181 to 360 days overdue" have been settled in the amount of EUR 362 thousand (2016: EUR 269 thousand) and in the aged bucket of "over 360 days overdue" have not been settled.

Refer further to Note 34 for credit risk disclosures.

15 Cash and cash Equivalents

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as follows at 31 December:

In thousands of EUR	31 December 2017	31 December 2016
Neither past due nor impaired		
Cash on hand	64	103
Bank balances payable on demand	18,180	11,667
Term deposits with original maturity of less than three months	22	19
Total cash and cash equivalents	**18,266**	**11,789**

	31 December 2017		31 December 2016	
In thousands of EUR	Bank balances payable on demand	Term deposits	Bank balances payable on demand	Term deposits
Neither past due nor impaired				
- A1	-	-	3,599	-
- A2	1,852	22	869	19
- A3	1,910	-	1	-
- Ba1	8	-	29	-
- Baa1	-	-	5,719	-
- Baa2	5,657	-	-	-
- Unrated	8,753	-	1,450	-
Total	**18,180**	**22**	**11,667**	**19**

Investing and financing transactions that did not require the use of cash and cash equivalents and were excluded from the cash flow statement are presented in Note 28.

At 31 December 2017 and at 31 December 2016, substantially all cash and cash equivalents have been pledged to third parties as collateral for borrowings. Refer to Note 19.

16 Construction Contracts

For revenue earned from construction contracts and subcontractors' expenses incurred during the year 2017, refer to Note 14 and Note 20, respectively.

The tables below present the net balance sheet position and extracts from the consolidated statement of financial position for construction contracts in progress as of 31 December:

In thousands of EUR	2017	2016
The aggregate costs incurred and recognised profits	1,200	2,467
Recognised losses	-	-
Less: Progress billings	(1,211)	(2,457)
Net balance sheet position for contracts in progress	**(11)**	**10**

The extracts from the consolidated statement of financial position for contracts in progress as of 31 December:

In thousands of EUR	Note	2017	2016
Cash collateral		447	432
Total non-current assets		**447**	**432**
Trade receivables	14	521	1,167
Less: Provision for impairment of receivables		(66)	-
Trade receivables – net		455	1,167
Amounts due from customers for contract work		-	10
Total current assets		**455**	**1,177**
Total assets		**902**	**1,609**
Amounts due to customers for contract work	20	(11)	-
Total current liabilities		**(11)**	**-**

17 Share Capital

The nominal registered amount of the Company's issued share capital is EUR 25,002 (2016: EUR 25,001).

The total authorised and outstanding number of ordinary shares is 7 shares (2016: 6 shares), 5 of them with a par value of EUR 5,000 per share and 2 shares (2016: 1 share) with a par value of EUR 1. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

18 Capital funds and other reserves

Legal reserve fund is obligatorily created from the profit of the Company in accordance with the Slovak Commercial Code, paragraph 67. The minimum prescribed creation of the legal reserve fund is specified in paragraph 217 of the Commercial Code and it defines that the Company is obliged to create a legal reserve fund in the amount of 10% of its share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10% from profit for the year, until the legal reserve fund achieves 20% of the share capital. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve.

The legal reserve fund represents EUR 3 thousand as at 31 December 2017 (2016: EUR 3 thousand).

Capital funds and other reserves as of 31 December 2017 consist of share premium of EUR 77,227 thousand (2016: EUR 49,867 thousand) contributed by the shareholders and of foreign currency translation reserve of EUR negative 51 thousand (2016: negative EUR 30 thousand). During 2017 shareholders contributed EUR 27,360 thousand to Share premium, refer to Note 33.

In accordance with Slovak legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with the Slovak Accounting Rules. Slovak legislation identifies the basis of distribution as the retained profits including other funds excluding the statutory legal reserve fund. There are no available distributable retained profits in the Company.

19 Borrowings

In thousands of EUR	Note	2017	2016
Bank overdraft and revolving facilities		7,693	2,304
Bank loans		77,740	83,138
Borrowings from sale and leaseback		3,937	3,168
Borrowings from related parties	6	83,598	55,084
Other borrowings		471	505
Total borrowings		**173,439**	**144,199**

All the Group's borrowings are denominated in EUR currency except EUR 29,728 thousand in PLN (2016: all the Group's borrowings denominated in EUR currency except EUR 202 thousand in PLN). The unused credit line on the overdraft and revolving facilities represents EUR 6,371 thousand (2016: EUR 11,530 thousand).

Substantially all property, plant and equipment, other intangible assets, financial investments, inventory, trade receivables and cash are pledged as collateral for bank loans. Refer to Notes 7, 9, 11, 13, 14 and 15.

Shares and investments in subsidiaries GGE a. s. (100%), ELGAS, s.r.o. (100%), TEPLÁREŇ Považská Bystrica, s.r.o. (100%), Teplo GGE s.r.o. (100%), SOUTHERM, s.r.o. (100%), Snina Energy, s.r.o. (100%), GGE distribúcia, a.s. (100%), GGE Trade, a.s. (100%), Duon Dystrybucja S.A. (100%) and GGE Polska Gaz sp. z.o.o. (100%) are pledged as collateral for borrowings of EUR 85,433 thousand (2016: EUR 85,442 thousand).

The assets of subsidiaries as reported in their statutory financial statements, the shares of which have been pledged as collateral for borrowings, are as follows:

	31 December 2017					
In thousands of EUR	**Property, plant and equipment**	**Receivables**	**Inventory**	**Cash and cash equivalents**	**Other**	**Total**
GGE a. s.	629	660	1	575	178,541	**180,406**
Snina Energy, s. r. o.	5,883	940	16	81	-	**6,920**
Teplo GGE s. r. o.	19,703	2,035	48	1,517	-	**23,329**
TEPLÁREŇ Považská Bystrica, s.r.o.	81,049	5,893	273	5,659	3,356	**96,264**
ELGAS, s.r.o.	1,489	30,642	2,477	3,509	20	**38,189**
SOUTHERM, s.r.o.	7,834	222	14	878	4	**8,948**
GGE distribúcia, a.s.	5,527	2,888	-	80	-	**8,495**
GGE Trade, a.s.	-	500	-	26	47,372	**47,798**
Duon Dystrybucja S.A.	44,029	7,407	368	1,543	1,978	**55,325**
GGE Polska Gaz sp. z.o.o.	-	0	-	222	57,313	**57,535**
Total pledged assets	**166,179**	**51,087**	**3,197**	**14,090**	**288,656**	**523,209**

	31 December 2016					
In thousands of EUR	**Property, plant and equipment**	**Receivables**	**Inventory**	**Cash and cash equivalents**	**Other**	**Total**
GGE a.s.	615	534	4	6,483	151,260	**158,896**
Snina Energy, s. r. o.	5,749	662	18	83	-	**6,512**
Teplo GGE s. r. o.	19,424	2,206	48	1,728	-	**23,406**
TEPLÁREŇ, a.s., Považská Bystrica	78,348	5,607	281	1,430	3,356	**89,022**
ELGAS, s.r.o.	1,249	29,382	3,121	4,742	339	**38,833**
SOUTHERM, s.r.o.	7,794	256	13	588		**8,651**
Total pledged assets	**113,179**	**38,647**	**3,485**	**15,054**	**154,955**	**325,320**

The Group is obliged to comply with certain financial and non-financial covenants under the terms of the bank facilities agreement. The term and revolving facilities agreement originally dated 21 August 2015 has been amended and restated on 23 February 2016. The financial covenants were tested in relation to the Group's 2016 and 2017 financial performance and position and they were fulfilled.

The carrying amounts and fair values of borrowings as of 31 December are as follows:

In thousands of EUR	**Carrying amount 2017**	**Fair value 2017**
Bank overdraft and revolving facilities	7,693	7,693
Bank loans	77,740	80,072
Borrowings from sale and leaseback	3,937	4,174
Borrowings from related parties	83,598	83,598
Other borrowings	471	523
Total borrowings	**173,439**	**176,060**

In thousands of EUR	**Carrying amount 2016**	**Fair value 2016**
Bank overdraft and revolving facilities	2,304	2,304
Bank loans	83,138	87,475
Borrowings from sale and leaseback	3,168	2,774
Borrowings from related parties	55,084	55,084
Other borrowings	505	574
Total borrowings	**144,199**	**148,211**

Refer to Note 36 for fair value disclosures.

Net Debt Reconciliation

The tables below set out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows.

In thousands of EUR	2017	2016
Non-current borrowings	121,975	127,219
Current borrowings	51,464	16,980
Current finance lease liabilities	1,347	60
Cash	(18,266)	(11,789)
Net debt	**156,520**	**132,470**

	Liabilities from financing activities		**Cash and cash equivalents**	**Total**
In thousands or EUR	**Borrowings**	**Finance lease liabilities**		
Net debt at 1 January 2017	**144,199**	**60**	**(11,789)**	**132,470**
Cash flows, out of which:	(8,492)	-	(4,599)	**(13,091)**
- drawings borrowings	*10,045*	-	-	***10,045***
- payments of principal and interests	*(18,537)*	-	-	***(18,537)***
Business combinations	29,728	1,285	(1,878)	**29,135**
Interest expense	8,004	2	-	**8,006**
Net debt at 31 December 2017	**173,439**	**1,347**	**(18,266)**	**156,520**

20 Trade and Other Payables

Trade and other payables comprise the following as of 31 December 2017:

In thousands of EUR	Note	2017	2016
Trade payables		43,953	36,410
Accrued liabilities and other creditors		2,211	4,326
Liabilities from commodity derivatives	36	13,711	4,221
Other payables		787	687
Total financial payables within trade and other payables		**60,662**	**45,644**
Payables to employees		337	858
Social security payables		274	262
Other tax payable		4,132	4,886
Advance payments received		2,587	481
Amounts due to customers for contract work		11	-
Provision for overconsumption of CO2		291	1
Other non-financial payables		2,560	1,984
Trade and other payables		**70,854**	**54,116**

Trade and other payables are denominated in currencies as follows:

In thousands of EUR		2017	2016
Trade and other payables denominated in:	- EUR	52,685	47,400
	- Serbian Dinar	1,349	2,184
	- Polish Zloty	6,185	2,837
	- Czech Koruna	10,634	877
	- Other	1	818
Total trade and other payables		**70,854**	**54,116**

Trade payables of EUR 5,782 thousand were past due date as at 31 December 2017 (2016: EUR 4,790 thousands).

21 Other Liabilities

Other liabilities comprise the following as of 31 December 2017:

In thousands of EUR	Note	2017	2016
Advanced rental payments		140	-
Service concession payable		4,944	4,252
Payables towards municipalities		1,190	953
Other liabilities		-	196
Total non-current other liabilities		**6,274**	**5,401**
Service concession payable		136	-
Payables towards municipalities		-	-
Liability from acquisition of a subsidiary	33	35	6,000
Social fund liability		185	52
Other		-	642
Total current other liabilities		**356**	**6,694**
Total other liabilities		**6,630**	**12,095**

22 Analysis of Revenue by Category

In thousands of EUR	Note	**1 January 2017 – 31 December 2017**	**1 January 2016 – 31 December 2016**
Sales of heat		23,698	22,680
Sales of water		1,216	1,280
Sales of gas		99,006	99,771
Sales of electricity		202,969	174,580
Sale of coal		137	40
Revenues from construction contracts	16	1,200	2,385
Revenues from other services		4,998	4,995
Total revenue		**333,224**	**305,691**

23 Energy consumption

In thousands of EUR	1 January 2017 – 31 December 2017	2 January 2016 – 31 December 2016
Purchases of commodity:		
- Electricity	76,903	56,409
- Gas	102,825	89,992
Distribution services:		
- Electricity	90,812	75,445
- Gas	18,071	20,528
Consumption:		
- Wood chips	113	106
- Water	653	677
- Coal	1,349	1,023
Other consumption	698	1,036
Total energy consumption	**291,424**	**245,216**

24 Consumables and services

Other consumables and services mainly comprise costs such as entertainment expenses, meal vouchers and other external supplies of services.

In thousands of EUR	Note	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Consulting services and other professional services		3,276	3,098
Sales commission expense		1,752	2,133
Repairs and maintenance expense		1,432	1,823
Other subcontractors' expense		1,331	2,174
Advertising expense		1,264	1,449
Material consumption		1,200	1,082
Rent expense		807	2,237
Balancing services support		677	556
Transportation expense		560	103
Telecommunication and IT services expense		396	394
Audit fee		384	403
Sewerage charge		348	309
Representation expense		255	244
Garbage removal		53	37
Training of employees		44	63
Mail and delivery expense		45	40
Travel expense		39	38
Cost of merchandise sold		10	122
Cleaning		0	100
Other		1,041	985
Total Consumables and services		**14,914**	**17,390**

25 Labour and related expenses

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Wages and salaries	6,347	6,505
Management bonuses	1,145	1,238
Social security costs	2,395	2,178
Total Labour and related expenses	**9,887**	**9,921**

Social security costs included the contributions to the government defined contribution pension plans of EUR 952 thousand (2016: EUR 867 thousand). The Group makes contributions to these pension plans at the average statutory rates of 14% from the gross salary payments subject to monthly salary cap defined by the relevant law in force during the period.

26 Other Operating Income and Expenses

Other operating income comprise:

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Income from receivables write-off and cession	-	275
Release of provision for overconsumption of CO2	46	-
Net gain from sale of property, plant and equipment	-	29
Foreign exchange gains from operating activities	330	173
Insurance claims income	82	20
Net gain from sale of inventory	26	10
Release of government grant to income	26	23
Other	58	59
Total other operating income	**568**	**589**

Other operating expenses comprise:

In thousands of EUR	Note	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Provision for overconsumption of CO2	20	290	-
Insurance expense		573	655
Taxes and charges		312	389
Impairment of receivables	14	229	944
Bank charges and fees		435	418
Net loss from sale of property, plant and equipment		104	8
Impairment of property, plant and equipment		-	62
Foreign exchange losses from operating activities		423	171
Receivables write-off and cession		76	29
Fines and penalties expense		105	287
Other		6	778
Total other operating expenses		**2,553**	**3,741**

27 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Current tax expense	2,900	5,135
Special levy on profits in excess of EUR 3,000 thousand from regulated activities	748	578
Deferred tax expense / (benefit)	(3,334)	(197)
Income tax expense for the period	**314**	**5,516**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2017 income is 22%. The income tax rate applicable to the majority of income of subsidiaries ranges from 9% to 22%. The reconciliation between the expected and the actual taxation charge is provided below.

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Loss before tax	**(7,224)**	**(1,261)**
Theoretical tax charge at statutory rate of 22%:	(1,517)	(277)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	757	1,839
- Effect of tax losses not recognised	854	1,067
- Effect on deferred taxes of change in standard tax rate to 21% from 1 January 2017	-	(700)
- Effect of Special levy on deferred taxes of change in standard tax rate to 24% in TEPLÁREŇ Považská Bystrica, s.r.o.	-	2,074
- Effect of Special levy on profits in excess of EUR 3,000 thousand from regulated activities	748	578
Other	(528)	935
Income tax expense for the period	**314**	**5,516**

c) Tax loss carry-forwards

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of EUR 16 thousand (2016: EUR 365 thousand). The tax loss carry forwards expire as follows:

In thousands of EUR	**1 January 2017 – 31 December 2017**	**1 January 2016 – 31 December 2016**
Tax loss carry-forwards expiring by the end of:		
- 31 December 2017	-	641
- 31 December 2018	937	672
- 31 December 2019	1,202	937
- 31 December 2020	517	252
- 31 December 2021	326	61
- 31 December 2022	83	19
- after 31 December 2022	70	37
Total tax loss carry forwards	**3,135**	**2,619**

(d) Deferred taxes in respect of subsidiaries

The Group has not recorded a deferred tax in respect of temporary differences associated with investments in subsidiaries or a joint venture as the Group is able to control the timing of the reversal of those temporary differences and does not intend to sell the investments or otherwise reverse the temporary differences in the foreseeable future.

(e) Deferred taxes analysed by type of temporary difference

Differences between IFRS as adopted by the EU and statutory taxation regulations in Slovak Republic and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 21%. (2016: 21%)

In thousands of EUR	1 January 2017	Charged/ (credited) to profit or loss	Acquired through business combination (Note 33)	31 Dec 2017
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards:				
Difference between tax and accounting value of property, plant and equipment (different tax depreciation)	(8,350)	(184)	(882)	(9,416)
Difference between tax and accounting value of feed in tariffs, service concessions, and other intangibles (different recognition criteria applicable under local statutory rules)	(13,298)	2,460	(1,484)	(12,322)
Difference between tax and accounting value of other intangible assets - emission rights (different recognition criteria applicable under local statutory rules)	(152)	35	-	(117)
Deferred tax from unamortized tax losses	-	642	-	642
Deferred revenue from government grants (different tax amortisation)	(365)	50	-	(315)
Impairment provision for receivables	33	-	-	33
Deferred tax from commodity derivatives	264	162	-	426
Other	(303)	169	105	(29)
Net deferred tax asset/(liability)	**(22,171)**	**3,334**	**(2,261)**	**(21,098)**
Recognised deferred tax asset	988	1,010	436	2,434
Recognised deferred tax liability	(23,159)	2,324	(2,697)	(23,532)
Net deferred tax asset/(liability)	**(22,171)**	**3,334**	**(2,261)**	**(21,098)**

In 2016:

In thousands of EUR	1 January 2016	Charged/ (credited) to profit or loss (restated)	31 Dec 2016
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards:			
Difference between tax and accounting value of property, plant and equipment (different tax depreciation)	(7,868)	(482)	(8,350)
Difference between tax and accounting value of feed in tariffs and service concessions (different recognition criteria applicable under local statutory rules)	(13,885)	587	(13,298)
Difference between tax and accounting value of other intangible assets - emission rights (different recognition criteria applicable under local statutory rules)	(79)	(73)	(152)
Deferred revenue from government grants (different tax amortisation)	(436)	71	(365)
Impairment provision for receivables	(16)	49	33
Deferred tax from commodity derivatives	(194)	458	264
Other	110	(413)	(303)
Net deferred tax asset/(liability)	**(22,368)**	**197**	**(22,171)**
Recognised deferred tax asset	311	677	988
Recognised deferred tax liability	(22 679)	(480)	(23,159)
Net deferred tax asset/(liability)	**(22,368)**	**197**	**(22,171)**

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.

28 Significant Non-cash Investing and Financing Activities

Investing transactions that did not require the use of cash and cash equivalents and were excluded from the cash flow statement are as follows:

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Non-cash investing activities		
Prolongation of existing service concessions	1,378	1,402
Acquisition of assets under services concessions through sale and lease back	-	900
Acquisition of assets under sale and lease back	1,846	910
Repayment of other liability from escrow account held as restricted cash	(6,000)	(7,000)
Property, plant and equipment and other intangible assets acquired through business combination (Note 33)	55,796	-
Non-cash investing activities	**53,020**	**(3,788)**

Financing transactions that did not require the use of cash and cash equivalents and were excluded from the cash flow statement are as follows:

In thousands of EUR	1 January 2017 – 31 December 2017	1 January 2016 – 31 December 2016
Non-cash financing activities		
Acquisition of subsidiary, shareholder non-monetary contribution settlement (Note 33)	27,360	-
Borrowings and finance lease acquired through business combination (Note 33)	(31,013)	-
Non-cash financing activities	**(3,653)**	**-**

29 Contingencies and Commitments

Tax contingencies. Tax legislation in the countries, where the Group operates, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Central and Eastern Europe countries tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three to five calendar years (ten years in respect of examination for application of transfer pricing and cross-border transactions) preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Central and Eastern European countries tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Environmental matters. The enforcement of environmental regulation in the Central and Eastern Europe 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.

30 Derivative Financial Instruments

(a) Interest rate swaps

The Group enters into hedge agreements with its counterparty banks to swap interest rates. Such agreements, while legally separate, are aggregated and accounted for as a single fixed interest rate loan where (i) the loans and hedging derivatives are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they are not separately transferable, (iv) they relate to the same risk and (v) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

The fixed interest rate represents 0.403%, and the floating rate is EURIBOR. The derivative financial instruments expense settled during the reported period represent EUR 516 thousand (2016: EUR 430 thousand) and is presented in interest expense.

(b) Commodity derivatives

During the reported period ending 31 December 2017 and 31 December 2016, the Group has entered into several commodity derivative contracts with other energy trading companies with an objective to benefit from favorable movements of market prices of electricity and gas. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in commodity prices or other variables relative to their terms. The aggregate fair values of commodity derivative financial assets and liabilities can fluctuate significantly from time to time.

The gain from commodity derivatives recognized in the reported period 2017 represents EUR 2,673 thousand (2016: loss of EUR 2,626 thousand).

31 Non-Controlling Interest

There were no significant transactions with non-controlling interests in 2017 and 2016. The non-controlling interest as of 31 December 2017 represents EUR 321 thousand (2016: EUR 327 thousand).

32 Principal Subsidiaries and Joint Venture

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
GGE a.s.	Holding company for operation on the territory of Slovak Republic	100%	100%	Slovak Republic
Teplo GGE, s.r.o.	Production and supply of heat	100%	100%	Slovak Republic
SOUTHERM, s.r.o.	Production and supply of heat and hot water	100%	100%	Slovak Republic
SOUTHERM SPRÁVA, s.r.o.	Management of residential and non-residential real estate	66%	66%	Slovak Republic
TEPLÁREŇ Považská Bystrica, s.r.o.	Production and supply of heat and electricity	100%	100%	Slovak Republic
ELGAS, k. s.*	Gas and electricity supply	100%	100%	Slovak Republic
Elgas Sales, a.s.	Gas and electricity supply	100%	100%	Slovak Republic
GGE distribúcia, a.s.	Operation of sewer and water systems, distribution of gas and electricity	100%	100%	Slovak Republic
Snina Energy, s.r.o.	Production and supply of heat and electricity	100%	100%	Slovak Republic
TENERGO Slovensko, a.s.	Delivery of heating technology, construction services	100%	100%	Slovak Republic
GGE Invest, s.r.o.	Construction and operation of small cogeneration units	100%	100%	Slovak Republic
IFM, a.s.	Management of residential and non-residential real estate	100%	100%	Slovak Republic
IFM – PB, s.r.o.	Management of residential and non-residential real estate	100%	100%	Slovak Republic
IFM – BA, s.r.o.	Management of residential and non-residential real estate	100%	100%	Slovak Republic
ELGAS Energy s.r.o.	Gas and electricity supply	100%	100%	Czech Republic
ELGAS Energy Kereskedelmi, Kft.	Gas and electricity supply	100%	100%	Hungary
GGE d.o.o. BEOGRAD	Holding company for operation on the territory of Serbia	90%	90%	Serbia
ELGAS ENERGY TRADING, d.o.o. Beograd	Gas and electricity supply	100%	90%	Serbia
ELGAS ENERGY TRADING MONTENEGRO, d.o.o	Gas and electricity supply	100%	100%	Montenegro
GGE SP. Z.O.O.	Holding company for operation on the territory of Poland	100%	100%	Poland
ELGAS ENERGY, SP. Z O. O.	Gas and electricity supply	100%	100%	Poland
CIEPŁOWNIA SIEMIANOWICE, SP. Z.O.O.	Production and supply of heat and electricity	95%	95%	Poland
Termico SP. Z.O.O.	Installation and maintenance services	100%	95%	Poland
IDEA 98 SP. Z.O.O.	Production and supply of heat and electricity	100%	100%	Poland
Energetika Sereď, s.r.o.	Production and supply of heat and electricity	100%	100%	Slovak Republic
V.I. Energy Group a.s.	Advisory services	100%	100%	Slovak Republic
GGE Trade, a.s.	Advisory services	100%	100%	Slovak Republic
GGE Polska Gaz sp. z o.o.	Holding company for operation on the territory of Poland	100%	100%	Poland

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
DUON Praszka Sp. z o.o.	Production and supply of heat	66%	66%	Poland
PGS sp. z o.o.	Transport and service activities incidental to oil and natural gas extraction	100%	100%	Poland
Duon Dystribucja S.A.	Distribution of gas	100%	100%	Poland

*The legal form of the entity transformed to limited partnership as of 1 March 2017

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Joint venture:				
KGJ Invest a.s.	Production and supply of heat and electricity	50%	50%	Slovak Republic

33 Business Combinations

In December 2017 the Company increased the nominal registered amount of share capital by EUR 1 and increased share premium by EUR 27,360 thousand. Increase in equity was settled through non-monetary contribution by the parent company to the Company of 100% of share capital of GGE Polska Gaz sp. z o.o., PGS sp. z o.o. and Duon Dystribucja S.A. and 66% of share capital of DUON Praszka Sp. z o.o. and the Group became a sole owner of the entities GGE Polska Gaz sp. z o.o., PGS sp. z o.o. and Duon Dystribucja S.A. and majority owner of DUON Praszka Sp. z o.o.

The Group has not finalised initial accounting for the acquisition of the group of GGE Polska Gaz sp. z o.o. as of the date of preparation of these financial statements. The Group used the option under IFRS to use provisional fair values to value assets and liabilities acquired. The management expect that the fair values of assets and liabilities acquired and consequently of goodwill recognised will change upon the final determination during 2018 and comparatives will be retroactively adjusted in the Group's 2018 financial statements, if necessary.

In thousands of EUR	**Note**	**Provisional fair value at acquisition during 2017**
Cash and cash equivalents		1,878
Property, plant and equipment	7	47,536
Other intangible assets	9	8,260
Deferred income tax asset		436
Inventory		381
Current income tax receivable		167
Trade and other receivables		5,874
Borrowings		(29,728)
Deferred income tax liabilities		(2,697)
Trade and other payables		(3,888)
Finance lease liability ST		(1,285)
Other liabilities		(35)
Less: Shareholder non-monetary contribution settlement		(27,360)
Fair value of identifiable net assets of subsidiary		**(461)**
Goodwill arising from business combinations	8	461
Total purchase consideration		-
Cash and cash equivalents of subsidiary acquired		1,878
Inflow of cash and cash equivalents on acquisition		**1,878**

In February 2016 the Group acquired 100% of share capital of IDEA 98 SP. Z.O.O. for cash consideration of EUR 1,975 thousand and became a sole owner of the entity.

In October 2016 the Group acquired 100% of share capital of V.I. Energy Group a.s. and Energetika Sereď, s.r.o. for cash consideration of EUR 1,750 thousand and became a sole owner of the entities.

Upon the acquisition the Group recognised goodwill as follows:

In thousands of EUR	**Note**	**Fair value at acquisition during 2016**
Cash and cash equivalents		57
Property, plant and equipment	7	1,052
Other intangible assets	9	2,449
Inventory		155
Other current assets		24
Trade and other receivables		797
Borrowings		(809)
Trade and other payables		(820)
Other liabilities		(2,109)
Fair value of identifiable net assets of subsidiary		**796**
Goodwill arising from business combinations	8	2,932
Total purchase consideration		**3,728**
Less: Cash and cash equivalents of subsidiary acquired		57
Outflow of cash and cash equivalents on acquisition		**3,671**

34 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 credit risk, market risk (including currency risk and interest rate 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, in order to minimise operational and legal risks.

Risk management is carried out by management under direction of the Board of Directors and the Supervisory Board. Management, represented mainly by the Group Chief Financial Officer, identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products and services on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position as follows:

In thousands of EUR		2017	2016
Non-current financial investments	11		
- Loans issued		32	21
Trade and other receivables	14		
- Trade receivables		48,508	41,061
- Other financial receivables		21,536	12,611
Current financial investments	11		
- Loans issued		997	992
Restricted cash, current	12	322	6,336
Cash and cash equivalents	15		
- Bank balances payable on demand		18,180	11,667
- Term deposits with original maturity of less than three months		22	19
Total maximum exposure to credit risk		**89,597**	**72,707**

The impact of possible netting of assets and liabilities to reduce potential credit exposure equals to a difference between the bank borrowings of EUR 85,433 thousand (2016: EUR 85,442 thousand) which are subject to master netting and similar arrangements with the gross trade and other financial receivables pledged in favour of the banks of EUR 70,044 thousand (2016: EUR 53,672 thousand).

The Group has master netting arrangements, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management for certain late-paying customers. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 14.

Credit risk is managed on Group basis by managing and analysing the credit risk for each of new clients before standard payment and delivery terms and conditions are offered.

Credit risks concentration. The Group is exposed to concentrations of credit risk. At 31 December 2017 the Group had 19 counterparties (2016: 18) with aggregated receivables balances individually above EUR 500 thousand (2016: EUR 500 thousand). The total aggregate amount of these balances was EUR 25,338 thousand (2016: EUR 22,787 thousand) or 38% of the total current trade and other receivables (2016: 38%).

The Group's bank deposits are held with 18 banks. The individual balances held with some of the banks are significant thus exposing the Group to a concentration of credit risk. The credit quality of cash and cash equivalents balances is presented in Note 15.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, both 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 regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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

Currency risk. Due to the Group's expansion in Central Europe, management acknowledges elevated exposure of the Group in respect of currency risk. Management follows internal objectives and sets limits on the level of exposure by currency and in total. The positions are monitored regularly. The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of EUR	At 31 December 2017 Monetary financial assets	 Monetary financial liabilities	 Net balance sheet position
Euros (related to balances in foreign operations)	1,816	(1,349)	467
US Dollars	-	-	-
Total	**1,816**	**(1,349)**	**467**

In thousands of EUR	At 31 December 2016 Monetary financial assets	 Monetary financial liabilities	 Net balance sheet position
Euros (related to balances in foreign operations)	2,474	(2,363)	111
US Dollars	250	(122)	128
Total	**2,724**	**(2,485)**	**239**

The above analysis includes only monetary assets and liabilities. Investments in 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:

In thousands of EUR	At 31 December 2017 Impact on profit or loss and equity
EUR strengthening/weakening by 10% against respective functional currency	467
US Dollar strengthening/weakening by 10% against respective functional currency	-
Total	**467**

In thousands of EUR	At 31 December 2016 Impact on profit or loss and equity
EUR strengthening/weakening by 10% against respective functional currency	(11)
US Dollar strengthening/weakening by 10% against respective functional currency	-
Total	**(11)**

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. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of EUR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
31 December 2017						
Total financial assets	81,597	1,868	594	947	-	85,006
Total financial liabilities	(42,863)	(137,222)	(4,401)	(4,655)	(51,193)	(240,333)
Net interest sensitivity gap at 31 December 2017	**38,734**	**(135,354)**	**(3,807)**	**(3,708)**	**(51,193)**	**(155,327)**

In thousands of EUR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
31 December 2016						
Total financial assets	54,541	16,549	693	929	-	72,712
Total financial liabilities	(39,736)	(106,342)	(976)	(3,763)	(50,292)	(201,109)
Net interest sensitivity gap at 31 December 2016	**14,805**	**(89,793)**	**(283)**	**(2,834)**	**(50,292)**	**(128,397)**

Based on the various scenarios, the Group's objective is to manage its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates to hedge its interest rate risk. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Refer also to Note 36.

During the period between 1 January 2017 and 31 December 2017, if interest rates at that date had been 100 basis points higher with all other variables held constant, profit for the year and equity would have been EUR 321 thousand lower (2016: EUR 179 thousand), mainly as a result of higher interest expense on variable interest liabilities.

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 Liquidity risk is managed by management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows showing the liquidity surplus or deficit.

The table below shows liabilities at 31 December 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease liabilities (before deducting future finance charges) and gross bank borrowings. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

In thousands of EUR	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank loans (Note 19)	7,811	4,545	4,596	78,505	-	95,457
Borrowings from related parties (Note 19)	-	-	2,703	21,594	97,010	121,307
Finance lease liabilities	22	111	133	1,061	-	1,327
Trade and other financial payables (Note 20)	35,066	21,961	3,206	427	2	60,662
Other financial liabilities (Note 21)	-	-	854	1,985	5,211	8,050
Total future payments, including future principal and interest payments	**42,899**	**26,617**	**11,492**	**103,572**	**102,223**	**286,803**

In 2016:

In thousands of EUR	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank loans (Note 19)	2,404	8,620	546	86,294	1,170	99,034
Borrowings from related parties (Note 19)	-	8,044	-	20,418	96,841	125,303
Finance lease liabilities	6	18	16	24	-	64
Trade and other financial payables (Note 20)	37,345	8,183	16	79	22	45,645
Other financial liabilities (Note 21)	-	6,000	633	2,126	3,812	12,571
Total future payments, including future principal and interest payments	**39,755**	**30,865**	**1,211**	**108,941**	**101,845**	**282,617**

35 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2017 was EUR 56,976 thousand (2016: EUR 37,142 thousand).

The Group is obliged to comply with externally imposed capital requirements. These covenants are set out in the Group's loan agreements based on which for the period ending 31 December 2017 the Group is required to maintain the leverage below 4.74. The leverage is calculated as the ratio of total net debt to adjusted EBITDA for the relevant period. Based on the terms of the loan agreements the leverage should not exceed 3.56 for the last period as of 30 June 2020 and any relevant period thereafter. The Group's strategy is to comply with these covenants.

36 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements. Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. Financial derivatives are carried in the statement of financial position as of 31 December 2017 at their fair value of EUR 13,425 thousand (2016: EUR 1,540 thousand) as receivable from commodity derivatives and of EUR 13,711 thousand (2016: EUR 4,221 thousand) as liability from commodity derivatives and are categorised as Level 3 in the fair value hierarchy. Financial derivatives were valued using the discounted cash flows valuation technique and Monte-Carlo model.

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

In thousands of EUR	31 December 2017 Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value	Carrying value
ASSETS				
Financial investments				
- Loans issued	-	1,036	-	1,036
Other financial assets				
- Trade receivables	-	46,461	-	46,461
- Receivables from commodity derivatives	-	-	13,425	13,425
- Other financial receivables	-	6,501	-	6,501
TOTAL ASSETS	**-**	**53,998**	**13,425**	**67,423**
LIABILITIES				
Borrowings				
- Bank loans	-	7,693	84,770	89,878
- Borrowings from related parties	-	-	83,598	83,598
- Other borrowings	-	-	-	-
Finance lease liabilities				
Other financial liabilities				
- Trade payables	-	43,953	-	43,953
- Liabilities from commodity derivatives	-	2,999	13,711	16,710
- Other financial payables	-	185	5,380	6,379
- Other liabilities	-	-	-	-
- Liabilities from purchase of a subsidiary	-	-	-	-
TOTAL LIABILITIES	**-**	**54,830**	**187,459**	**240,518**

In thousands of EUR	31 December 2016 Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value	Carrying value
ASSETS				
Financial investments				
- Loans issued	-	992	-	992
Other financial assets				
- Trade receivables	-	40,317	-	40,317
- Receivables from commodity derivatives	-	-	1,540	1,540
- Other financial receivables	-	10,809	-	10,809
TOTAL ASSETS	**-**	**52,118**	**1,540**	**53,658**
LIABILITIES				
Borrowings				
- Bank loans	-	2,304	90,250	88,610
- Borrowings from related parties	-	-	55,084	55,084
- Other borrowings	-	-	574	505
Finance lease liabilities	-	-	60	60
Other financial liabilities				
- Trade payables	-	36,410	-	36,410
- Liabilities from commodity derivatives	-	-	4,221	4,221
- Other financial payables	-	5,013	-	5,013
- Other liabilities	-	52	4,721	5,257
- Liabilities from purchase of a subsidiary	-	6,000	-	6,000
TOTAL LIABILITIES	**-**	**49,779**	**154,910**	**201,160**

The fair values in level 2 and 3 of fair value hierarchy, except for the financial guarantees, were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received or paid discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rate used was 2.13% p.a. (2016: 3.45% p.a.) for financial liabilities carried at amortised cost and none for financial assets carried at amortised cost. The discount rate used for borrowings from related parties was 10% p.a. as the shareholder loan is subordinated to the bank loan and has longer maturity ending in 2030, and the shareholders' required return on equity was estimated at this rate.

37 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables represent a separate category. As of 31 December 2017, all of the Group's financial assets, except for derivatives, fell in the loans and receivables measurement category. All of the Group's financial liabilities, except for derivatives, are carried at amortised cost. Derivatives are measured at fair value through profit or loss (Note 30).

38 Events after the End of Reporting Period

On 11 January 2018, an agreement was signed between the Group, its shareholders and other related parties, on the basis of which the immediate parent provided a loan to the Group of EUR 29,775 thousand which replaced the loan from related party acquired during acquisition of Duon Group (Note 33).

On 31 January 2018, the Company increased share capital in the form of new issued common share in amount of EUR 1 with share premium of EUR 2.6 million.

In February and April 2018, there have been also some changes in the members of the bodies of the Company.

After 31 December 2017, no other significant events have occurred that would require recognition or disclosure in these consolidated financial statements.