



ENERGO-PRO a.s.

(incorporated as a joint stock company under the laws of the Czech Republic)

EUR250,000,000 4.50 per cent. Guaranteed Notes due 2024

fully and unconditionally guaranteed by ENERGO-PRO Georgia Generation JSC (incorporated as a joint stock company under the laws of Georgia), **ENERGO-PRO Georgia JSC** (incorporated as a joint stock company under the laws of Georgia), **ENERGO-PRO VARNA EAD** (incorporated as a solely-owned joint-stock company under the laws of the Republic of Bulgaria) and **Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.** (incorporated as a joint stock company under the laws of the Republic of Turkey)

Issue price: 100.00 per cent.

ENERGO-PRO a.s. (the "**Issuer**") is offering EUR250,000,000 aggregate principal amount of its 4.50 per cent. Guaranteed Notes due 2024 (the "**Notes**"). The Notes will be fully guaranteed on a joint and several basis (the "**Guarantee**") by each of ENERGO-PRO Georgia Generation JSC, ENERGO-PRO Georgia JSC, ENERGO-PRO VARNA EAD and Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. (each, a "**Guarantor**" and together, the "**Guarantors**").

THE ISSUER MAY, AT ITS OPTION, REDEEM: (I) ALL, BUT NOT SOME ONLY, OF THE NOTES AT ANY TIME AT THEIR PRINCIPAL AMOUNT PLUS ACCRUED INTEREST, IN THE EVENT OF CERTAIN TAX CHANGES AS DESCRIBED UNDER "**CONDITIONS OF THE NOTES—REDEMPTION AND PURCHASE**"; (II) ALL OR A PART OF THE NOTES AT ANY TIME PRIOR TO 4 MAY 2021 AT THEIR PRINCIPAL AMOUNT PLUS THE APPLICABLE PREMIUM AS OF, AND ACCRUED AND UNPAID INTEREST AND ADDITIONAL AMOUNTS, IF ANY, TO THE DATE OF REDEMPTION, AS DESCRIBED UNDER "**CONDITIONS OF THE NOTES—REDEMPTION AT THE OPTION OF THE ISSUER (MAKEWHOLE)**"; (III) UP TO 35 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES AT ANY TIME AT A REDEMPTION PRICE EQUAL TO 104.50 PER CENT. OF THE PRINCIPAL AMOUNT OF THE NOTES REDEEMED, PLUS ACCRUED AND UNPAID INTEREST AND ADDITIONAL AMOUNTS, IF ANY, TO THE DATE OF REDEMPTION, WITH THE NET CASH PROCEEDS OF AN EQUITY OFFERING, AS DESCRIBED UNDER "**CONDITIONS OF THE NOTES—REDEMPTION AT THE OPTION OF THE ISSUER (EQUITY OFFERING)**"; (IV) ALL OR PART OF THE NOTES ON OR AFTER 4 MAY 2021 AT THE REDEMPTION PRICES DESCRIBED UNDER "**CONDITIONS OF THE NOTES—REDEMPTION AT THE OPTION OF THE ISSUER (PREMIUM)**"; AND (V) ALL NOTES THAT REMAIN OUTSTANDING FOLLOWING A VALID TENDER OF NOT LESS THAN 85 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE THEN OUTSTANDING NOTES, AS DESCRIBED UNDER "**CONDITIONS OF THE NOTES—REDEMPTION AT THE OPTION OF THE ISSUER (CERTAIN TENDER OFFERS AND OTHER OFFERS TO PURCHASE)**".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes and the Guarantee are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

These listing particulars (the "**Listing Particulars**") have not been approved as a prospectus for the purposes of the Prospectus Directive. When used in these Listing Particulars, "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU). These Listing Particulars have been approved by the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"). Application has been made to Euronext Dublin for the Notes to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market (the "**Global Exchange Market**"), which is the exchange regulated market of Euronext Dublin. These Listing Particulars constitute a "Listing Particulars" for the purposes of the admission of the Notes to Euronext Dublin's Official List and to trading on the Global Exchange Market and, for such purposes, do not constitute a "prospectus" for the purposes of the Prospectus Directive. Euronext Dublin's Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU ("**MiFID II**").

The Issuer has been rated BB- (outlook stable) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BB (outlook stable) by Fitch Ratings Limited ("**Fitch**"). The Notes are expected, on issue, to be rated BB- by S&P and BB by Fitch (S&P and Fitch together, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Rating Agencies are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Notes will initially be represented by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 4 May 2018 (the "**Closing Date**") with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, definitive certificates ("**Certificates**") for Notes will not be issued in exchange for interests in the Global Certificate. See "**Summary of Provisions relating to the Notes while represented by the Global Certificate**".

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "**Risk Factors**" on page 12.

Joint Bookrunners

BNP PARIBAS

Citigroup

J.P. Morgan

The date of these Listing Particulars is 2 May 2018

IMPORTANT INFORMATION

These Listing Particulars do not constitute a "prospectus" for the purposes of the Prospectus Directive.

Each of the Issuer and the Guarantors accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of each of the Issuer and the Guarantors (having taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect its import.

References to the "**Issuer**" are to ENERGO-PRO a.s. References to the "**Group**" are to ENERGO-PRO a.s. and its Subsidiaries (as defined in "*Conditions of the Notes*"), except where it is clear from the context that the term means ENERGO-PRO a.s.

These Listing Particulars contain certain market, historical and forward looking economic and industry data, including information in "*Risk Factors*" and "*Description of the Business of the Group*" which have been obtained from publicly available information, independent industry publications and reports prepared by industry consultants. The Issuer and the Guarantors have relied on the accuracy of such information without an independent verification thereof, however, the Issuer and the Guarantors believe the information to be reliable. Where information in these Listing Particulars has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer and the Guarantors are aware, and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in these Listing Particulars which has been sourced from a third party is identified as such with the name of the third party source. None of the Issuer, the Guarantors, the Joint Bookrunners (as defined below) or the Trustee (as defined below) represents that such information is accurate.

The language of these Listing Particulars is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of these Listing Particulars.

None of BNP Paribas, Citigroup Global Markets Limited and J.P. Morgan Securities plc (each, a "**Joint Bookrunner**" and together, the "**Joint Bookrunners**") nor Citibank, N.A., London Branch as trustee (the "**Trustee**") has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners or the Trustee for the holders of the Notes (the "**Noteholders**") as to the accuracy or completeness of the information contained or incorporated in these Listing Particulars or any other information provided by the Issuer or the Guarantors in connection with the offering of the Notes. None of the Joint Bookrunners or the Trustee accepts any liability in relation to the information contained in these Listing Particulars or any other information provided by the Issuer or the Guarantors in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Guarantors, any Joint Bookrunners or the Trustee to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, any of the Joint Bookrunners or the Trustee.

Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantors, any of the Joint Bookrunners or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantors. Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantors, any of the Joint Bookrunners, or the Trustee to any person to subscribe for or to purchase any Notes.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in these Listing Particulars;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantors during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"). Subject to certain exceptions, the Notes and the Guarantee may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of these Listing Particulars, see "*Subscription and Sale*" below.

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantors, the Joint Bookrunners and the Trustee do not represent that these Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors, the Joint Bookrunners or the Trustee which is intended to permit a public offering of the Notes or the distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Notes in the United States and the United Kingdom; see "*Subscription and Sale*".

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market

assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In these Listing Particulars, references to "**euro**" and "**EUR**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; references to "**USD**" refer to United States dollars, the lawful currency of the United States; references to "**BGN**" refer to Bulgarian lev, the lawful currency of Bulgaria; references to "**GEL**" refer to Georgian lari, the lawful currency of Georgia; and references to "**TRY**" refer to Turkish lira, the lawful currency of the Republic of Turkey.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information set forth herein related to the Group has been derived from the Group's unaudited interim consolidated financial statements as at and for the six month period ended 30 June 2017, with comparative financial information as at and for the six month period ended 30 June 2016, together with the notes thereto (the "**Interim Financial Statements**"), the Group's audited consolidated financial statements as at and for the financial year ended 31 December 2016, with (restated) comparative financial information as at and for the financial year ended 31 December 2015, together with the notes thereto (the "**2016 Financial Statements**") and the Group's consolidated financial statements as at and for the financial year ended 31 December 2015, with comparative financial information as at and for the financial year ended 31 December 2014, together with the notes thereto (the "**2015 Financial Statements**", and together with the 2016 Financial Statements, the "**Annual Financial Statements**"), each of which were prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are included, together with the audit reports of Deloitte Audit s.r.o ("**Deloitte**") thereon, elsewhere in these Listing Particulars. The Annual Financial Statements have been extracted from the applicable annual report published by the Issuer for each of the years ended 31 December 2016 and 2015 (the "**Annual Reports**"). For the avoidance of doubt, the Annual Reports do not form part of these Listing Particulars, however they are publicly available on the website of the Issuer.

The Annual Financial Statements and the Interim Financial Statements are together referred to as the "**Financial Statements**".

Investors should note that certain other financial information and data set forth herein has been derived from the unaudited management accounts of the Group. See "*Non-IFRS Ratios and Measures*" below.

Rounding Adjustments

Certain amounts which appear in these Listing Particulars have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Non-IFRS Ratios and Measures

To supplement the Financial Statements, the Group uses certain other ratios and measures included in these Listing Particulars. The Group's management believes that the inclusion of these ratios and measures, when considered in conjunction with measures reported under IFRS, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. Such ratios and measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. For the Group, such ratios and measures in these Listing Particulars (and that are not defined or specified by IFRS or any other legislation applicable to the Group) include (without limitation) the following (such terms being used in these Listing Particulars as defined below):

- *Adjusted EBITDA* represents the standalone EBITDA of the respective company within the Group, adjusted for intercompany transactions and other consolidation adjustments;
- *Adjusted Net Assets* represents the standalone net assets of the respective company within the Group, after consolidation adjustments;
- *CAPEX* represents funds used by the Group to purchase property, plant and equipment and intangible assets as reported in consolidated statement of cash flows as part of cash flows from investing activities;
- *EBITDA* represents earnings before interest, taxation, depreciation and amortisation, i.e. EBIT before depreciation and amortisation expense; and

- *Group's EBITDA* represents the sum of standalone EBITDA of the respective operational companies in Bulgaria, Georgia and Turkey. It excludes consolidation adjustments and the Czech companies within the Group.

FORWARD-LOOKING STATEMENTS

Certain statements included in these Listing Particulars may constitute "forward-looking statements". Forward-looking statements are all statements in these Listing Particulars that do not relate to historical facts and events, and include statements concerning the Issuer's and the Guarantors' plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer and the Guarantors use the words "will", "believes", "assumes", "intends", "estimates", "expects", "may", "will", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions to generally identify forward-looking statements.

Forward-looking statements are set forth in a number of places in these Listing Particulars, including (without limitation) in the sections "*Risk Factors*" and "*Description of the Business of the Group*". Each of the Issuer and the Guarantors has based these forward-looking statements on the current view of their management with respect to future events and financial performance. These views reflect the best judgment of the management of the Issuer and the Guarantors but involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in these Listing Particulars and from past results, performance or achievements. Examples of these risks, uncertainties and other factors include, but are not limited to, those discussed in the section entitled "*Risk Factors*" in these Listing Particulars including the following:

- the Group is subject to differing regulatory regimes in the countries in which it operates and these regimes are complex and subject to change;
- group companies are subject to extensive licencing requirements and may be materially adversely affected by any loss of or failure to renew material licences;
- changes in regulated tariffs could have an adverse effect on the Group's results of operations and financial condition;
- the Group is subject to environmental and health and safety laws and regulations and must maintain environmental and health and safety regulatory approvals and may be exposed to significant liabilities if it fails to comply with such laws or maintain such approvals;
- the Group is vulnerable to any changes in demand for electricity that may occur, and to increases in the levels of its doubtful receivables as a result of poor economic conditions;
- the Group's operations are located in Bulgaria, Georgia and Turkey; its results of operations are therefore affected by economic conditions in those countries;
- regional tensions could have an adverse effect on the local economy and the Group's business;
- electricity consumption and the Group's hydropower electricity generation capacity, revenues, costs and results of operations are influenced by weather conditions and seasonal variations that are not within its control;
- failures, breakdowns, planned or unplanned outages as well as natural disasters, sabotage or acts of terrorism at the Group's hydropower plants or damage to the distribution infrastructure may harm the Group's business and reputation;
- the Group's ability to generate, distribute and supply electricity is dependent upon the Bulgarian, Georgian and Turkish transmission systems;
- the Group may not be successful in reducing the levels of electricity theft from its networks;
- the Group is exposed to increased competition in the markets in which it operates;
- the Group may not successfully implement its key strategies;
- a default by any of the Group's counterparties (including its partners, contractors, subcontractors, off-takers and suppliers) may affect the Group's financial condition;
- a strike or other labour disruption at the Group's facilities could adversely affect its business;
- the Group is reliant upon skilled managers and personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel;
- the Group may not be able to successfully integrate businesses acquired in the future;
- the Group's ability to access credit and bond markets and its ability to raise additional financing is in part dependent on its credit ratings;

- the Notes will be structurally subordinated to the liabilities and preference shares (if any) of the Issuer's non-guarantor subsidiaries;
- the Issuer is a holding company and is completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including the Notes;
- the Issuer's shareholder's interests may, in certain circumstances, be different from the interests of the Noteholders;
- the Group has substantial debt and its financial obligations could impair its ability to service its debt, carry out new financings and fund its capital expenditures;
- a failure by the Group to service its indebtedness could result in a variety of material adverse consequences;
- the Group could incur unforeseen taxes, tax penalties and sanctions which could adversely affect its results of operations and financial condition;
- there are additional risks associated with investing in emerging markets such as Bulgaria, Georgia and Turkey;
- the legal infrastructure and the law enforcement systems in the Czech Republic, Bulgaria, Georgia and Turkey are less developed compared to Western Europe;
- the Group conducts its business in several different currencies and is exposed to foreign currency risks;
- the Group is unable to or may not insure itself against all potential risks and may become subject to higher insurance premiums;
- the Group is subject to risks arising from unlawful or arbitrary governmental action;
- a malfunction, security breach or disruption of the Group's information technology ("IT") systems, inability to keep pace with the technological changes in the energy sector or insufficient maintenance of the IT systems or cyber security measures may have material negative consequences for the Group;
- restrictive covenants in the Conditions may restrict the Group's ability to operate its business. The Group's failure to comply with these covenants, including as a result of events beyond its control, could result in an Event of Default (as defined in "*Conditions of the Notes*") that could materially and adversely affect its financial condition and results of operations; and
- other factors discussed under "*Risk Factors*".

Although the Issuer and the Guarantors believe that the estimates and the projections reflected in their forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer and the Guarantors have identified in these Listing Particulars, or if any of the Issuer's or the Guarantors' underlying assumptions prove to be incomplete or incorrect, the Issuer's and/or the Guarantors' actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of these Listing Particulars. Except to the extent required by law, none of the Issuer or the Guarantors are obliged to, and do not intend to, update or revise any forward-looking statements made in these Listing Particulars whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer or the Guarantors, or persons acting on the Issuer's or the Guarantors' behalf, are expressly qualified in their entirety by the cautionary statements contained throughout these Listing Particulars. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

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OVERVIEW OF THE GROUP

OVERVIEW

The Issuer, together with its subsidiaries (the "**Group**"), is a leading electricity distribution and renewable hydropower generation company in the Black Sea region. The Group's principal countries of operation are Bulgaria, Georgia and Turkey. The Group operates a generation portfolio of:

- 34 hydropower plants ("**HPPs**") in Bulgaria, Georgia and Turkey, with a total installed capacity of 744 MW as at 31 December 2017 and generating up to approximately 3 TWh of electricity every year; and
- one gas-fired thermal power plant ("**TPP**") in Georgia with a total installed capacity of 110 MW, which provides grid support services.

In addition to the Group's generation portfolio, the Group owns and operates electricity distribution networks in Bulgaria and Georgia which:

- cover a geographical area of approximately 88,000 km²;
- extend to approximately 97,000 km of network cable; and
- serve over 2.4 million customers.

Within its licence areas, the Group is the sole distributor of electricity, distributing 11 TWh in the year ended 31 December 2017. In addition, the Group supplied almost 11 TWh to regulated customers in Bulgaria and Georgia in the year ended 31 December 2017, as well as being the supplier of last resort on the regulated market in Bulgaria.

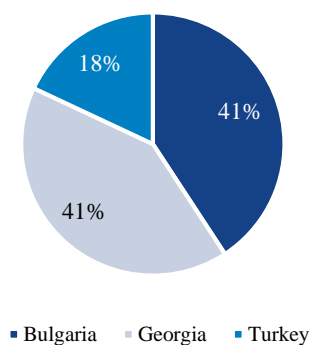
The Group's other activities include:

- electricity supply on the free market for the whole of Bulgaria, supplying 2.1 TWh to more than 9,000 customers in the year ended 31 December 2016 and 2.5 TWh to approximately 16,000 customers in the year ended 31 December 2017;
- electricity trading and the operation of an electricity wholesale business for eligible customers in Turkey, with 135 GWh and 274 GWh of electricity traded in the years ended 31 December 2017 and 2016, respectively;
- electricity trading in Bulgaria, with 1,499 GWh and 999 GWh of electricity traded in the years ended 31 December 2017 and 2016, respectively; and
- the operation of a payment terminals business in Georgia, facilitating the collection of customer payments in respect of the Group's Georgian electricity sales.

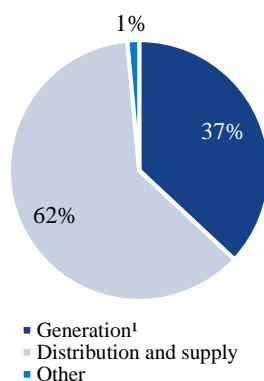
In the year ended 31 December 2016, the Group generated consolidated EBITDA of EUR163.6 million, as compared to consolidated EBITDA of EUR118.8 million in the year ended 31 December 2015. In the year ended 31 December 2016, approximately 91 per cent. of consolidated EBITDA was generated from regulated activities. Regulated activities include the distribution, supply and generation of electricity where tariffs are set using a regulatory asset base ("**RAB**") based methodology and the generation of electricity that is sold pursuant to feed-in-tariff ("**FiT**") regimes.

The charts below provide a breakdown of EBITDA for the year ended 31 December 2016 across the Group's operating geographies, business segments and business types:

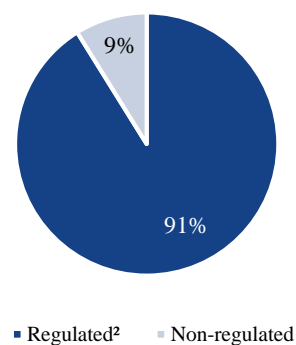
Group's EBITDA by country



Group's EBITDA by business segments



Consolidated EBITDA by regulated business

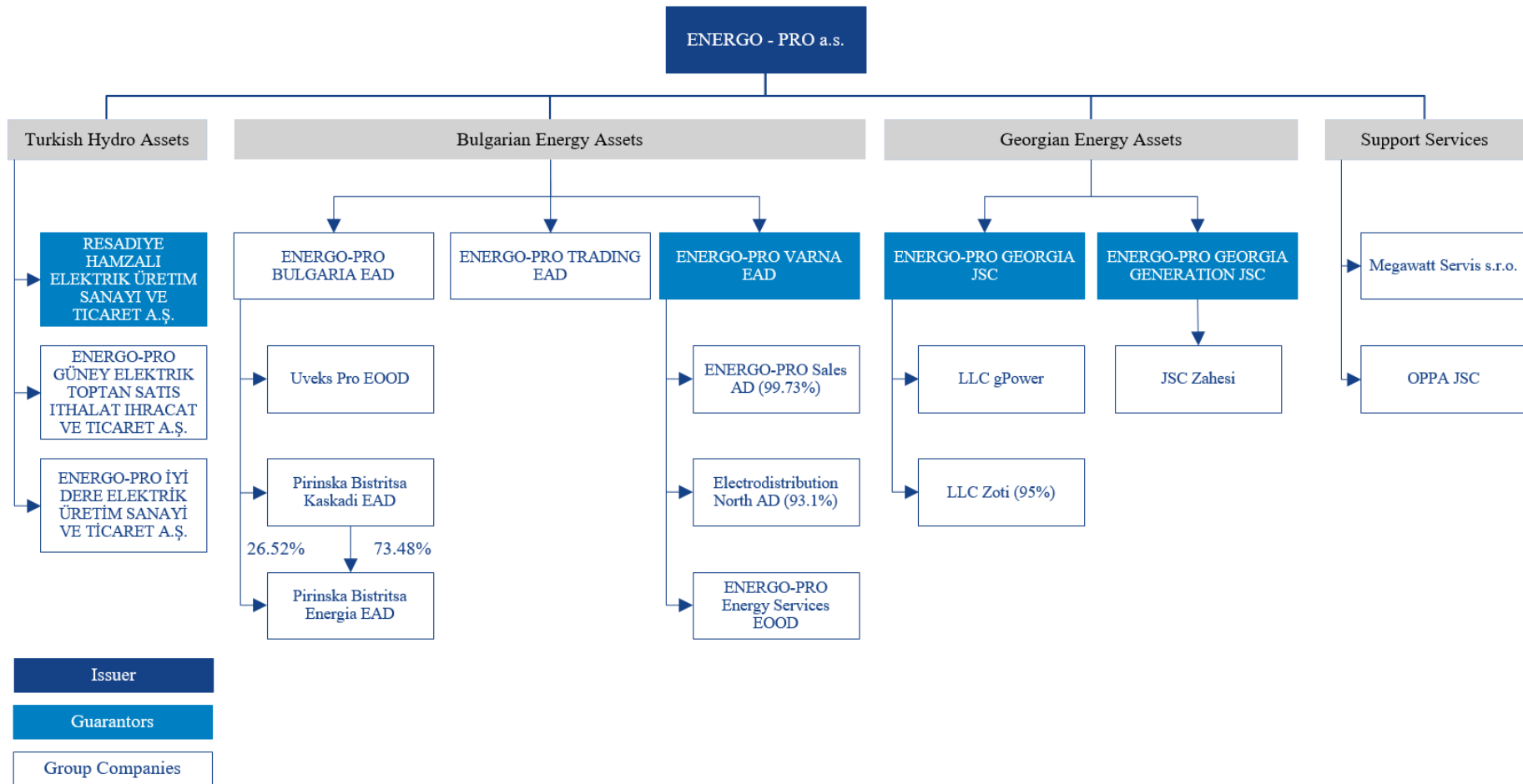


¹ 2 per cent. of the 37 per cent. Generation figure is derived from the grid support services provided by the Group's TPP.

² 71 per cent. of the 91 per cent. Regulated EBITDA is derived from RAB-based regulation, while the remaining 20 per cent. of the 91 per cent. is derived from the FiT support schemes.

The Issuer is the holding company of the Group. It is wholly owned by DK Holding Investments s.r.o., which in turn is wholly owned by Mr. Jaromír Tesař.

The chart on the following page sets out the companies within the Group that are controlled by the Issuer.



Unless otherwise stated, all ownership interests are 100 per cent.

STRATEGY

The Group's strategy is focused on maintaining and enhancing long-term, predictable cashflows from the Group's hydropower generation and electricity distribution assets, and on selectively expanding the Group's business through the acquisition of generation and distribution assets within the three countries in which it has operations. The Group aims to achieve these strategic objectives by:

Enhancing generation and distribution assets

The Group's objective in the generation segment is to further increase the efficiency of its HPPs, improve their reliability and safety, as well as to prolong their service lifetime, through the implementation of a cost-effective rehabilitation and modernisation programme. This programme is aimed at achieving excellence in technical operations, maximising efficiency and minimising the levels of unprocessed water losses.

In respect of the Group's distribution assets, the Group continues to target the reduction of commercial grid losses through effective grid management and monitoring. In addition, the Group continuously invests in improvements to its distribution network, seeking to enhance the grids' reliability and the quality of electricity supply. Such improvements continue to be achieved by implementing various rehabilitation and re-metering projects throughout the Group's licence areas (see "*Description of the Business of the Group—Georgia—Efficiency Measures*" below).

Increasing financial stability and flexibility

The Group sees the geographic and sectoral diversification of its operations as one of the key pillars supporting the financial stability and further growth of its business. The Group intends to transition its capital structure from being predominantly funded on an operating company level to one which is funded at the Issuer (holding company) level. In addition, the Group believes that a simplified, streamlined capital structure will provide it with more flexibility to raise and deploy capital efficiently, ultimately resulting in increased financial stability and creating a robust platform for further growth.

Growth through selective acquisitions and development

The Group believes that its operational expertise, as well as the knowledge of the markets in which it currently operates, positions it favourably to pursue selective acquisitions or other projects involving attractively-priced, quality assets in the hydroelectric power generation and electricity distribution sectors. The Group is diligent and disciplined in its approach as regards to the strategic fit, purchase price, as well as the synergistic nature of such opportunities. When making acquisitions, the Group aims to take advantage of distressed sales or disposals being made as part of a strategic refocus of the seller.

KEY STRENGTHS

The Group believes that it benefits from the following strengths:

Leading electricity distribution and renewable generation company in the Black Sea region

With more than 2.4 million grid customers and 11 TWh of distributed electricity, and 34 operating HPPs with an installed capacity of 744 MW as at and for the year ended 31 December 2017, the Group is a leading electricity company in the two main markets in which it operates. According to the Ministry of Energy in Bulgaria, as at and for the year ended 31 December 2017, the Group was the largest private renewable electricity generation company by installed capacity and electricity produced, and the third largest electricity distribution company by geographic area covered, number of connection points and electricity distributed. Furthermore, JSC Electricity System Commercial Operator ("ESCO") estimates that in Georgia over the same period, the Group was the largest privately owned electricity generation company by installed capacity and volume of electricity produced as well as the largest electricity distribution company by geographic area covered, number of customers and electricity distributed. The size of the Group's business provides it with a deep knowledge of the markets in which it operates, helps ensure good access to the relevant regulators and allows the Group to realise economies of scale.

Diversified operations

The Group's business benefits from geographical diversification across Bulgaria, Georgia and Turkey, as well as from exposure to generation, distribution and supply activities. In the year ended 31 December 2016, 41 per cent. of the Group's EBITDA was generated from its Bulgarian operations, 41 per cent. from its Georgian operations and 18 per cent. from its Turkish operations. In the year ended 31 December 2016, generation accounted for 37 per cent. of the Group's EBITDA, with electricity distribution and supply accounting for 62 per cent. This diversification helps the Group reduce the impact of potentially unfavourable hydrological conditions in any particular geographical area on its cashflows. It also reduces the risks related to being significantly exposed to any one regulatory regime.

Majority of cashflows from regulated activities

The Group's distribution activities are subject to 'revenue cap' regulations while the majority of its hydropower generation assets benefits from regulated tariffs and FiT regimes which eliminate or substantially reduce the price and volume risk with respect to the Group's generated electricity. In the year ended 31 December 2016, 91 per cent. of consolidated EBITDA was derived from these regulated activities. The stability provided by the regulated nature of the majority of its cashflows further de-risks the Group's business model by allowing it to plan capital investments in an environment that benefits from predictable returns and by reducing its dependence on free market electricity prices.

Efficient asset portfolio with proven track record and high cash conversion

The Group's HPPs have strong operating track records, with high availability and efficiency factors and limited periods of down time. Management believes that the nature of these assets ensures that the Group has one of the lowest levels of generation costs in the markets in which it operates. The Group's distribution assets provide a highly reliable service platform with limited loss ratios, having benefitted from various investments to improve the system average interruption duration index ("SAIDI") and the system average interruption frequency index ("SAIFI") indicators, as well as an investment programme to reduce both technical and commercial losses.

Highly experienced management team led by a long-term, committed shareholder

The Group's founder and sole shareholder, Mr. Jaromír Tesař, has been committed to the business of the Group since its establishment in 1994. He used his long-term vision and experience to build the Group over the years into its current form, and the Group remains his key asset. Mr. Tesař leads a team of highly experienced and motivated executives in the head-office in Prague, and across each of the countries in which the Group operates. Many senior managers have held positions across a number of the Group's operating companies, thereby helping to share best practices across the Group. In addition to senior management, the Group has experienced core teams at the asset level with operations, management, and financial expertise in power projects across the region.

GROUP'S GENERATION PORTFOLIO

The table below sets out details of the Group's generation portfolio as at 31 December 2017 and 2016.

Facility Name	Country	Type	Installed capacity (MW)	Electricity generated (GWh)		Tariff (2018)
				2017	2016	
Spanchevo	Bulgaria	With reservoir	28.0	50	77	Free market
Stara Zagora	Bulgaria	With reservoir	22.4	34	88	Free market
Popina Laka	Bulgaria	With reservoir	22.0	49	67	Free market
Pirin	Bulgaria	With reservoir	22.0	38	59	Free market
Lilyanovo	Bulgaria	With reservoir	20.0	43	61	Free market
Sandanski	Bulgaria	With reservoir	14.4	24	37	Free market
Petrohan	Bulgaria	With reservoir	7.7	21	26	Regulated (FiT)
Koprinka	Bulgaria	With reservoir	7.0	7	21	Regulated (FiT)
Barziya	Bulgaria	With reservoir	5.6	25	21	Regulated (FiT)
Ogosta	Bulgaria	With reservoir	5.0	9	22	Regulated (FiT)
Kilsura	Bulgaria	With reservoir	3.5	12	18	Regulated (FiT)
Katuntsi	Bulgaria	With reservoir	3.5	8	11	Regulated (FiT)
Samoranovo	Bulgaria	With reservoir	2.9	6	10	Regulated (FiT)
Karlukovo	Bulgaria	Run-of-the river	2.3	10	11	Regulated (FiT)
TOTAL Bulgaria			166.2	338	529	n/a
Lajanuri	Georgia	With reservoir	113.7	390	455	Regulated (RAB)
gPower	Georgia	TPP	110.0	50	70	Regulated (RAB)
Dzevrula	Georgia	With reservoir	80.0	150	159	Regulated (RAB)
Gumati I	Georgia	With reservoir	46.7	321	368	Regulated (RAB)
Gumati II	Georgia	With reservoir	22.8	*	*	Regulated (RAB)
Rioni	Georgia	Run-of-the river	51.0	299	313	Regulated (RAB)
Shaori	Georgia	With reservoir	40.3	147	132	Regulated (RAB)
Zahesi	Georgia	With reservoir	36.8	180	216	Free market
Chitakhevi	Georgia	Run-of-the river	21.0	89	98	Free market
Atsi	Georgia	Run-of-the river	18.4	94	104	Free market

Facility Name	Country	Type	Installed capacity (MW)	Electricity generated (GWh)		Tariff (2018)
				2017	2016	
Ortachala	Georgia	Run-of-the river	18.0	66	93	Free market
Satskhenisi	Georgia	Run-of-the river	14.0	26	45	Free market
Sioni	Georgia	With reservoir	9.0	20	25	Free market
Chkhorotsku	Georgia	Run-of-the river	6.0	16	18	Free market
Martkhopi	Georgia	Run-of-the river	3.9	4	9	Free market
Kinkisha	Georgia	Run-of-the river	0.9	3	3	Free market
TOTAL Georgia			592.5	1,854	2,108	n/a
Resadiye I	Turkey	Run-of-the river	16.0	74	113	Regulated (FiT)
Resadiye II	Turkey	Run-of-the river	26.7	120	201	Regulated (FiT)
Resadiye III	Turkey	Run-of-the river	22.9	98	162	Regulated (FiT)
Hamzali	Turkey	Run-of-the river	17.0	87	92	Regulated (FiT)
Aralik	Turkey	Run-of-the river	12.4	53	62	Regulated (FiT)
TOTAL Turkey			95.0	434	630	n/a
Total HPPs			744	2,576	3,197	
Total TPP			110	50	70	
Total Generation.....			854	2,626	3,267	

Notes: TPP provides grid support services only (RAB based regulated tariff); Gumati II generation figure is included in Gumati I; Regulated (FiT) - feed in tariff set flat for the whole eligibility period; Regulated (RAB) – generation tariff is set based on RAB-regulation.

GROUP'S DISTRIBUTION AND SUPPLY DATA

The table below sets out certain operational data in respect of the Group's distribution and supply businesses.

	Unit	EP Varna (Bulgaria)		EP Georgia (Georgia)		Total	
		2017	2016	2017 ⁽⁵⁾	2016	2017 ⁽⁵⁾	2016
Area covered	km ²	29,000	29,000	58,847	47,537	87,847	76,537
Network length	km,						
	2017	42,535	42,471	54,445	48,812	96,980	91,283
Wheeling volume ⁽¹⁾	TWh	6.3	6.2	5.3	4.7	11.6	10.9
Grid losses	%	10.0	11.0	8.1	8.4	n/a	n/a
Distributed volume ⁽²⁾	TWh	5.7	5.5	5.1	4.5	10.8	10.0
No. of connection points	'000s	1,222	1,217	1,190	1,026	2,412	2,243
Supplied volume ⁽³⁾	TWh	5.8	5.6	4.9	4.3	10.7	9.9
RAB (2017)	LCU		BGN				
	million	BGN 342m	340m	GEL 369m	GEL 300m	n/a	n/a
RAB (2017) ⁽⁴⁾	EUR	175m	174m	119m	111m	294m	285m
WACC (2017, nominal, pre-tax)	%	7.04	7.04	13.54	13.54	n/a	n/a

(1) Total volume of electricity transmitted over the grid

(2) Total volume of supplied electricity to the grid customers

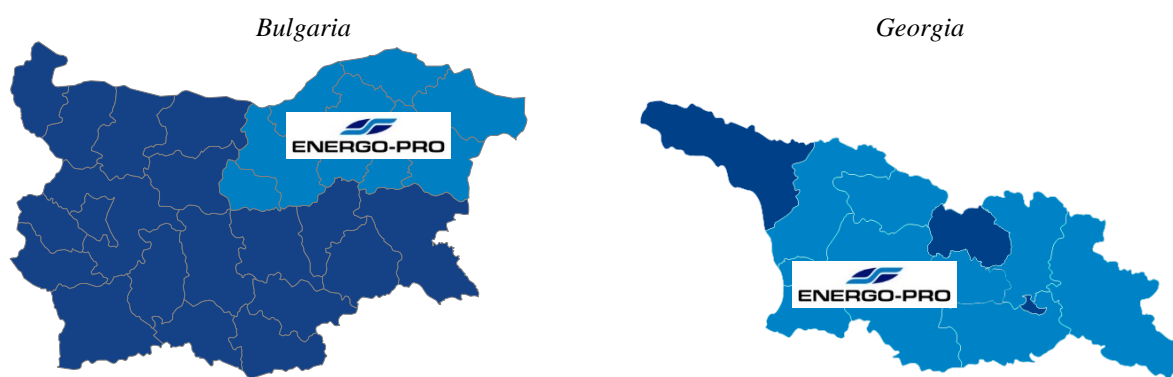
(3) Supplied volume to customers of the sales business (in Bulgaria also includes free market supply business)

(4) FX rate used BGN/EUR 1.9558 and GEL/EUR 3.1

(5) Including the Kakheti distribution business data for September – December 2017 which was acquired by EP Georgia in August 2017

GROUP'S DISTRIBUTION AREAS

The maps below show the Group's Bulgarian and Georgian distribution areas:



RECENT DEVELOPMENTS

Developments in consolidated revenues and EBITDA in the six months ended 30 June 2017

Consolidated EBITDA decreased from EUR88 million in the six months ended 30 June 2016 to EUR48 million in the six months ended 30 June 2017 while consolidated revenues remained approximately unchanged at EUR413 million in both periods. The principal reasons for the decrease in consolidated EBITDA were: (1) hydrology-driven decreases in generation volumes of our HPPs across all three countries of our operations, (2) negative specific margin, higher balancing costs and additional salary payments in January 2017 in the distribution and supply business in Bulgaria, (3) a slight decrease in supply and HPP generation tariffs, as well as higher costs for purchased power (driven by both increased volumes of purchased electricity from third parties and higher weighted average cost of purchased electricity) in Georgia, and (4) one-off gains recorded in the first half of 2016 (related to the settlement between Mr. Tesař and Mr. Krušina, a former shareholder) as well as higher costs in the first half of 2017 at the Issuer level (holding company) and consolidation adjustments.

Trends in consolidated EBITDA in the six months ended 31 December 2017

Comparable consolidated financial information for the six months ended 31 December 2017 and for the year ended 31 December 2017 is not yet available. Based on the available operating data as well as internal management financial information (which may not have been prepared on a basis consistent with the financial information presented elsewhere in these Listing Particulars), the Group expects to record lower consolidated EBITDA for the year ended 31 December 2017 compared to the year ended 31 December 2016. The rate of decrease in EBITDA for the six months ended 31 December 2017 compared to the six months ended 31 December 2016 is expected to be significantly lower than what the Group experienced in the six months ended 30 June 2017 versus the six months ended 30 June 2016. The principal reasons for the expected decrease in consolidated EBITDA in the six months ended 31 December 2017 compared to the six months ended 31 December 2016 are: (1) hydrology-driven decreases in generation volumes of the Group's HPPs across all three countries of its operations (but at a rate significantly lower than in the six months ended 30 June 2017), (2) higher costs of purchased electricity and higher personnel expenses in the distribution and supply business in Bulgaria, (3) higher costs of purchased electricity in Georgia, (4) adverse movements in the exchange rate between EUR and GEL (affecting the performance of the Group's business in Georgia expressed in EUR terms) and between EUR and USD (affecting the performance of the Group's business in Turkey expressed in EUR terms), and (5) higher costs at the Issuer level (holding company).

New guarantor

Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. will become a guarantor in respect of the Issuer's EUR370,000,000 4.00 per cent. Guaranteed Notes due 2022 (the "**2022 Notes**") on the issue date of the Notes.

USE OF PROCEEDS

The proceeds from the issue of the Notes will be used by the Group:

- for the repayment of existing Group indebtedness amounting to approximately EUR232 million;
- for the payment of fees and expenses related to the issue of the Notes and of breakage costs and other early redemption related expenses with respect to the Group indebtedness being repaid; and
- for general corporate purposes.

SUMMARY FINANCIAL INFORMATION

The following tables present selected historical consolidated financial and other data of the Group as at and for the years ended 31 December 2015 and 2016, as well as at and for the six month periods ended 30 June 2016 and 30 June 2017. The following tables should be read in conjunction with the Financial Statements (including the notes thereto) included in these Listing Particulars, the section entitled "Selected Financial Information" and the other relevant information included in these Listing Particulars, including the section entitled "Presentation of Financial Information".

Consolidated statement of comprehensive income data

(EUR'000)	Year ended 31 December 2015 (restated)	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017	Twelve months ended 30 June 2017
Total revenue	752,625	817,013	413,266	412,987	816,734
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)	118,776	163,639	88,196	48,025	123,468
Depreciation and amortisation expense	(52,394)	(47,959)	(23,945)	(22,430)	(46,444)
Earnings before financial expenses and taxes (EBIT).....	66,382	115,680	64,251	25,595	77,024
Finance costs – net	(65,576)	(63,640)	(23,155)	(13,171)	(53,656)
Income before income tax (EBT)	806	52,040	41,096	12,424	23,368
Total income tax expense	(2,465)	7,072	17,431	(1,052)	(11,411)
Profit/(loss) for the year	(1,659)	59,112	58,527	11,372	11,957

Consolidated statement of financial position data

(EUR'000)	31 December 2015 (restated)	31 December 2016	30 June 2017
Property, plant and equipment.....	519,173	472,448	469,704
Cash and cash equivalents.....	43,567	82,306	43,368
Total assets.....	927,700	915,567	866,521
Total equity	194,811	237,571	247,703
Total borrowings	532,706	508,800	471,831

Consolidated statement of cashflows data

(EUR'000)	Year ended 31 December 2015 (restated)	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017
Net cash (outflow)/inflow from operating activities	128,719	148,231	69,658	32,010
Net cash outflow from investing activities.....	(49,256)	(54,068)	(38,387)	(26,566)
Net cash used in financing activities.....	(101,112)	(55,424)	(37,381)	(44,382)

OVERVIEW OF THE ISSUE

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of these Listing Particulars.

Words and expressions defined in "*Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	ENERGO-PRO a.s.
Guarantors:	ENERGO-PRO Georgia Generation JSC ENERGO-PRO Georgia JSC ENERGO-PRO VARNA EAD Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.
Issue:	EUR250,000,000 4.50 per cent. Guaranteed Notes due 2024
Trustee:	Citibank, N.A., London Branch
Principal Paying Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantors. The obligations of the Guarantors under the Guarantee will be direct, unconditional and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Guarantor and will rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantors from time to time outstanding.
Form of Notes:	The Notes will be issued in registered form. The Notes will be represented by a Global Certificate which will be exchangeable for definitive Certificates only in certain limited circumstances (see " <i>Summary of Provisions Relating to the Notes While Represented by the Global Certificate</i> ").
Interest:	4.50 per cent. per annum payable in arrear on 4 May in each year, commencing on 4 May 2019.
Redemption:	Unless redeemed early as described below, the Notes are scheduled to be redeemed on 4 May 2024 (the " Maturity Date "). The Notes may be redeemed before the Maturity Date in the following circumstances: <ul style="list-style-type: none">• The Issuer may, at its option, redeem all, but not some only, of the Notes at their principal amount together with any accrued interest in the event of certain changes affecting taxation in the Relevant Jurisdiction as described under Condition 9.2 (<i>Redemption for Taxation Reasons</i>).• The Issuer may at any time prior to 4 May 2021, at its option, redeem all or a part of the Notes at a redemption price equal to 100 per cent. of the principal amount of the

Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and additional amounts, if any, to the date of redemption, as described under Condition 9.3 (*Redemption at the Option of the Issuer (Makewhole)*).

- The Issuer may at any time prior to 4 May 2021 redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 104.50 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, with the net cash proceeds of an Equity Offering, as further described in Condition 9.4 (*Redemption at the Option of the Issuer (Equity Offering)*).
- On or after 4 May 2021, the Issuer may on any one or more occasions redeem all or part of the Notes at the redemption prices detailed in Condition 9.5 (*Redemption at the Option of the Issuer (Premium)*).
- The Issuer will have the right to redeem all Notes that remain outstanding following a valid tender of not less than 85 per cent. of the aggregate principal amount of the then outstanding Notes, as further described in Condition 9.6 (*Redemption at the Option of the Issuer (Certain Tender Offers and Other Offers to Purchase)*).
- Subject to the conditions described in Condition 9.8 (*Redemption at the option of the Noteholders upon a Change of Control*), if a Change of Control Put Event occurs, the holder of each Note will have the option to require the Issuer to redeem or, at the Issuer's option, purchase the Note on the Change of Control Redemption Date at 101 per cent. of its principal amount together with interest accrued to (but excluding) the Change of Control Redemption Date.

Denomination of Notes:

The Notes will be issued in denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof.

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 10 (*Taxation*). In the event that any such deduction is made, the Issuer or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Notes will contain negative pledge provisions as further described in Condition 6 (*Negative Pledge*).

Certain Covenants:

The terms of the Notes contain certain covenants which, among other things, limit the Issuer's ability and the ability of certain members of the Group to conduct certain transactions, for example:

- limits on making certain restricted payments;
- restrictions on incurring indebtedness and issuing preferred stock;
- limiting encumbrances on the ability of subsidiaries to make dividend and other payments to the Group;
- limitations on mergers or consolidation with other entities;

- restrictions on making certain asset sales; and
- restrictions on entering into transactions with affiliates,

all as further described in Condition 5 (*Financial Covenants*).

Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 12 (<i>Events of Default</i>).
Meetings of Noteholders:	The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Modifications, Waiver, Authorisation and Determination:	The Trustee may, without the consent of Noteholders, agree to (i) any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature, in each case, in the circumstances and subject to the conditions described in Conditions 16 (<i>Meetings of Noteholders, Modification, Waiver, Authorisation and Determination</i>).
Rating:	The Issuer has been given a corporate credit rating of BB- (outlook stable) by S&P and an issuer default rating of BB (outlook stable) by Fitch. The Notes are expected, on issue, to be rated BB- by S&P and BB by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made to Euronext Dublin for the Notes to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market, which is the exchange regulated market of Euronext Dublin.
Governing Law:	The Notes, the Guarantee and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
ISIN:	XS1816296062
Common Code:	181629606
Selling Restrictions:	The Notes and the Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act). There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Bulgaria, Georgia, the Czech Republic and Turkey, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA not applicable.

RISK FACTORS

Before making an investment decision, prospective investors should carefully review the specific risk factors described below, in addition to the other information contained in these Listing Particulars. The Issuer and the Guarantors believe that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes and/or the Guarantors' ability to fulfil their obligations under the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer and the Guarantors are not in a position to express a view on the likelihood of any such contingency occurring. The Issuer's and the Guarantors' business, financial condition and results of operations could be materially affected by each of these risks presented. Also, other risks and uncertainties not described herein could affect the Issuer's ability to fulfil its obligations under the Notes and/or the Guarantors' ability to fulfil their obligations under the Guarantee. Additional risks and uncertainties not presently known to the Issuer or the Guarantors, or that the Issuer and the Guarantors currently believe are immaterial, could impair the ability of the Issuer to fulfil its obligations under the Notes and/or the Guarantors' ability to fulfil their obligations under the Guarantee. Certain other matters regarding the operations of the Issuer and the Guarantors that should be considered before making an investment in the Notes are set out, in the sections "Description of the Business of the Group", amongst other places. The order of presentation of the risk factors in these Listing Particulars is not intended to be an indication of the probability of their occurrence or of their potential effect on the Issuer's ability to fulfil its obligations under the Notes or the Guarantors' ability to fulfil their obligations under the Guarantee.

Capitalised words and expressions in this section shall have the meanings defined in "Conditions of the Notes".

Risks which may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantors' ability to fulfil their obligations under the Guarantee.

The Group is subject to differing regulatory regimes in the countries in which it operates and these regimes are complex and subject to change.

The Group is subject to the laws of the Czech Republic, Bulgaria, Georgia and Turkey and the European Union ("EU"), as well as the regulations of the Energy and Water Regulatory Commission ("EWRC") in Bulgaria, the Georgian Ministry of Economy and Sustainable Development of Georgia ("MoEaSD") and the Georgian National Energy and Water Supply Regulatory Commission ("GNEWRC") in Georgia and the Ministry of Energy and National Resources ("MENR") and the Energy Market Regulatory Authority ("EMRA") in Turkey. These laws and regulations affect many aspects of the Group's business and, in many respects, determine the manner in which the Group conducts its business and its profitability. As an owner and operator of renewable energy generation facilities and electricity distribution networks, the Group is subject to extensive governmental and other regulations in the markets in which it operates. Any new regulation or any changes in the existing regulations, such as Georgia's decision to align its regulatory framework more closely with the EU, or requirements of the governments or regulatory authorities of the countries in which the Group operates may require significant changes in the Group's business in ways that cannot be predicted. Any new regulations or requirements, including those promulgated by the EU, such as the package of energy legislation proposed by the European Commission in November 2016, collectively known as the "winter fuel package", that require the Group to restructure or otherwise change its business in any way, or that affect electricity generation, transmission, distribution or supply prices or related financial conditions, could have a material adverse effect on the Group's business, results of operations and financial condition.

Similarly, any non-compliance or breach of licence conditions or other regulatory requirements could lead to financial sanctions and potentially revocation of licences which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the Group may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is in compliance with each regulatory regime to which it is subject in each of the jurisdictions in which it operates and it continues to allocate adequate resources to achieve and maintain compliance with such regulations applicable to it. However, the relevant authorities in Bulgaria, Georgia, Turkey and the EU may enforce existing regulations more strictly than they have done in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present.

Group companies are subject to extensive licencing requirements and may be materially adversely affected by any loss of or failure to renew material licences.

The Group's activities of generation, distribution and supply, and trading of electricity require a range of administrative permits, authorisations and licences, at both local and national levels, in the countries in which

the Group operates. The procedures for obtaining and renewing these permits, authorisations and licences can be protracted and complex and the conditions attached to such licences may be subject to change and are not predictable. As a result, the Group may incur significant expenses in obtaining or renewing its permits, authorisations and licences. Delays, high costs or the suspension of the Group's operating activities due to its inability to obtain, maintain, or renew permits, authorisations and licences, may also have a negative impact on its business activities and profitability.

Licences for the generation and distribution of electricity are granted for a maximum of 35 years in Bulgaria, indefinitely in Georgia and are due to expire in Turkey between 2054 and 2055. Any failure to obtain, maintain, renew or extend all the necessary administrative permits, authorisations and licences necessary for the operation of the Group's business and the execution of its strategy could have a material adverse effect on its business, results of operations and financial condition. In addition, it is possible that future changes in licencing requirements could have an adverse effect on the Group.

Changes in regulated tariffs could have an adverse effect on the Group's results of operations and financial condition.

The Group is subject to a substantial degree of regulation, particularly with respect to the tariffs it may charge for its distribution activities, for the regulated portion of its supply business, as well as for a portion of its generation volumes. The Group also benefits from favourable FiT regimes in respect of its generation activities in Bulgaria and Turkey. The Group estimates that approximately 91 per cent. of consolidated EBITDA in the year ended 31 December 2016 was derived from activities subject to such tariff regulation.

As a result, the Group is affected by the tariff pricing decisions of the EWRC in Bulgaria, GNEWRC in Georgia, and the Council of Ministers, EMRA and TEİAŞ (*Türkiye Elektrik İletim A.Ş.*) in Turkey. Regulatory policies of Bulgaria, Georgia and Turkey are less developed and are more susceptible to political intervention and adverse regulatory action than in Western Europe. Public authorities and regulatory authorities in the countries in which the Group operates may decide to limit or block tariff increases, or even order tariff decreases, with no change to the quality of service, or may change the conditions of access to such regulated tariffs, including changes to the price setting mechanisms as a result of political interference. Any changes in regulated tariffs, particularly those that may affect the Group's revenues from electricity generation and distribution, could have a material adverse effect on its business, results of operations and financial condition.

The Group is subject to environmental and health and safety laws and regulations and must maintain environmental and health and safety regulatory approvals and may be exposed to significant liabilities if it fails to comply with such laws or maintain such approvals.

The Group is subject to various environmental and health and safety laws and regulations governing, among other things, the health and safety of the Group's employees.

The Group is also required to obtain environmental and safety permits from various governmental authorities for its operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and compliance reporting. The Group may not always be able to renew such permits or there may be material changes to its permits requiring significant expenditure. Violations of these laws, regulations or permits could result in fines or legal proceedings being commenced against the Group or other sanctions, in addition to negative publicity and significant damage to the Group's reputation.

The Group has adopted environmental standards applicable to its operations. While as at the date of these Listing Particulars, the Group is in compliance with all applicable environmental and health and safety regulations in force in the countries in which it operates, there can be no guarantee that it will continue to be in compliance in the future. Should any Group company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in a disruption of the Group's services or cause reputational harm, and significant liability could be imposed on the Group for damages, clean-up costs and penalties and/or compensation as a result.

The occurrence of any of these events may also cause disruption to the Group's projects and operations and result in additional costs to the Group, which may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Although environmental laws and regulations have an increasing impact on the Group's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on the Group's future earnings and operations. While the Group has budgeted for future capital and operating expenditures to

comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted. Some risk of environmental costs and liabilities is inherent in the Group's particular operations, as it is with other companies engaged in similar businesses.

The Group is vulnerable to any changes in demand for electricity that may occur, and to increases in the levels of its doubtful receivables as a result of poor economic conditions.

In the ordinary course of its business, the Group is exposed to the risk of a reduction in demand for its electricity. The demand for the Group's electricity is principally driven by the level of economic activity in the countries in which the Group operates. The Group's results of operations are significantly affected by economic conditions in Bulgaria, Georgia and Turkey. See "*The Group's operations are located in Bulgaria, Georgia and Turkey; its results of operations are therefore affected by economic conditions in those countries*".

A significant part of the Group's revenues from electricity generation and distribution are fixed and do not depend on the overall volume of electricity consumed, but the Group's revenues are still affected by economic cycles and general economic conditions. Any economic slowdown typically leads to a reduction in electricity consumption and this has an adverse effect on the Group's financial condition and results of operation. Distribution tariff calculation methodology includes assumptions of the electricity distribution volume. If the actual distribution volume falls below the assumption, the Group's cash flows from electricity distribution will be negatively impacted through a delay in the allocation of compensation.

As at 31 December 2016, the Group's recorded provision for impairment of receivables amounted to EUR15,847,000. The Group is able to take legal action against its defaulting customers to seek to recover amounts outstanding, although the timing and amount of such recovery is uncertain. Although the Group has been successful in monitoring and reducing the level of its impaired receivables, any material increase in doubtful receivables, increased delays in payment times or write-offs could have a significant adverse effect on the Group's business, results of operations and financial condition.

The Group's operations are located in Bulgaria, Georgia and Turkey; its results of operations are therefore affected by economic conditions in those countries.

The Group's principal business activities consist of electricity generation in Bulgaria, Georgia and Turkey and electricity distribution and supply in Bulgaria and Georgia. As a result, the Group's results of operations are affected by economic and political conditions in those countries, which in turn can be affected by developments including, but not limited to:

- macroeconomic events, including external economic shocks;
- economic difficulties among Bulgaria's, Georgia's or Turkey's trading partners;
- a decline in the gross domestic product of any of the countries in which the Group operates;
- the imposition of new or additional international sanctions against Russia or other trading partners;
- a decrease in foreign direct investment in Bulgaria, Georgia or Turkey, due to a perception of a poor economic, legal or business climate, or for any other reason;
- increasing levels of unemployment;
- a governmental budget deficit or other fiscal difficulties;
- an inability or difficulty in obtaining energy imports;
- declines in commodity prices;
- increasing levels of corruption and/or economic crime;
- instability in the national banking systems; and
- social or political instability and other risks associated with developing countries such as Bulgaria, Georgia and Turkey.

In addition, political developments in the EU, including any future integration or withdrawal of European countries into or from the EU or changes in the economic policy, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic stability of the EU, including Bulgaria, which accounted for 41 per cent. of the Group's EBITDA in the year ended 31 December 2016. Any changes in the political or economic stability of any of the countries in which the Group operates, as well as any political, economic, regulatory or administrative developments in these countries, over which the Group has no control, could have a material adverse effect on the Group's business, results of operations and financial condition.

If any of these risks materialise in any of the countries in which the Group operates, they could have a material adverse effect on the Group's business, results of operations and financial condition.

Regional tensions could have an adverse effect on the local economy and the Group's business.

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia, since Georgian independence in 1991. These disputes have led to sporadic violence and breaches of peace-keeping operations. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war. Although Georgia and Russia signed a French-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russia recognised the independence of the breakaway regions and tensions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia. For example, in the summer of 2013, Russian border guards erected fences along portions of the demarcation line between Georgia and South Ossetia, which moved the de-facto border further into Georgian-controlled territory. The illegal process of the so-called 'borderisation' continued in subsequent years. For example, in 2017, the Russian occupation forces deployed in central Georgia have moved the occupation line further into Georgian territories. This and similar future actions could further increase tensions. Russia is also opposed to the eastward enlargement of the North Atlantic Treaty Organisation, potentially including former Soviet republics such as Georgia. The Georgian government has taken certain steps towards improving relations with Russia, but, as of the date of these Listing Particulars, these have not resulted in any formal or legal changes in the relationship between the two countries.

Russia-Georgia relations may deteriorate in the context of the EU Association Agreement, which introduced a preferential trade regime, the Deep and Comprehensive Free Trade Area ("DCFTA"), in July 2016. In February 2017, the European Parliament also approved a proposal on visa liberalisation for Georgia.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is ongoing. In addition, the political and economic stability of Georgia may be affected by a significant deterioration in relations between Azerbaijan and Armenia.

If any of these risks materialise, they could have a material adverse effect on the Group's business, results of operations and financial condition.

Electricity consumption and the Group's hydropower electricity generation capacity, revenues, costs and results of operations are influenced by weather conditions and seasonal variations that are not within its control.

The Group's hydropower electricity generation is affected by hydrological conditions which vary significantly throughout the year and can also vary on a year to year basis. Within a year, the strongest water flow is in the months of March, April and May due to thawing snow and this is when the Group's HPPs generate the most electricity. This is also when electricity is more abundant on the market relative to demand. From year to year, the volume of electricity generated in the Group's HPPs also depends on the amount of precipitation, and conditions such as droughts or heat waves can have adverse effect on the Group's electricity generation volumes in the respective countries.

In addition, electricity consumption is seasonal and is mainly affected by weather conditions. In the markets in which the Group operates, electricity consumption is generally higher during the autumn and winter months, and the Group generally experiences higher demand during the colder months of October through March and lower demand during the warmer months of April through September. As a result of these seasonal patterns, the Group's sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of the Group's energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. The Group expects seasonal and weather-related fluctuations in its sales and results of operations to continue in the future.

Failures, breakdowns, planned or unplanned outages as well as natural disasters, sabotage or acts of terrorism at the Group's HPPs or damage to the distribution infrastructure may harm the Group's business and reputation.

The Group's HPPs, distribution infrastructure and information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, computer viruses and other causes. The main risk associated with the Group's hydropower facilities is the risk of damage during floods. The Group cannot give any assurance that accidents will not occur or that the preventative measures taken will be fully effective in all cases, particularly in relation to external events that are not within

the Group's control, such as floods and other natural disasters. In addition, in the event any of the Group's dams are damaged through acts of terrorism, any resulting floods may cause damage to the local environment and populations.

Due to the complexity of operating HPPs, the Group is not able to eliminate the risk of unplanned outages and it cannot predict the timing or impact of these outages with certainty. The Group's emergency response, disaster recovery and crisis management measures may not effectively protect the Group from these events. Any service disruption may cause loss in electricity generation, customer dissatisfaction and may also lead to liability for damages, higher operating costs, limited sale of the Group's products, the imposition of penalties and other unforeseen costs and expenses which could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

The condition of some of the Group's equipment and the components of its HPPs may also be affected by their continuous operation, as well as processes such as erosion and corrosion. The impact of such operation and processes tends to increase as the plant, equipment and components grow older. The Group may need to temporarily shut down some of the HPPs and may incur expenses in connection with inspections, maintenance or repair activities in addition to the periodic planned inspections, maintenance and repair that the Group currently conducts, including such additional activities that governmental authorities may require it to conduct.

The Group's business and its ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its HPPs and distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or underperformance of a power plant or distribution network may have a direct impact on the profitability of the Group's operations. The Group generates its electricity from its HPPs. A failure of these plants would have a significant adverse effect on the Group's financial position. In addition, if the Group suffers a reduction in electricity generation, it may be required to purchase greater amounts of electricity in the open market, which may be at unfavourable prices. Further, any insurance coverage, warranties or guarantees provided by equipment suppliers in favour of the Group that purport to cover additional expenses incurred by the Group as a result of any failures, may not fully compensate the Group for any increased costs and any resulting decrease in revenue. This could mean that any significant expenses incurred as a result of failures, defects or accidents involving the Group's operating equipment and infrastructure could have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

The Group's ability to generate, distribute and supply electricity is dependent upon the Bulgarian, Georgian and Turkish transmission systems.

The distribution of electricity to the Group's distribution networks, as well as the distribution of the Group's generated electricity to its customers, is dependent upon the infrastructure of the transmission systems in the countries in which the Group operates. The Group has no control over the operation of these transmission systems and it is entirely reliant on the relevant transmission system operators, which are state-owned entities. Any failure of a transmission system in Bulgaria, Georgia or Turkey, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the Group from distributing electricity to its end customers, which in turn could have a material adverse effect on its business, results of operations and financial condition.

The Group may not be successful in reducing the levels of electricity theft from its networks.

The Group is exposed to the risk of electricity theft from its distribution and supply networks. Whilst the Group has invested in improving its ability to monitor its networks, there can be no assurance that such increased levels of surveillance will prevent electricity being lost through theft in the future. Continued losses of electricity through theft from the Group's network may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to increased competition in the markets in which it operates.

The Group competes with other suppliers of electricity in Bulgaria and Georgia as well as wholesale traders of electricity in Turkey and Georgia, however within the regulated supply market, the Group faces limited competition. Some of the Group's competitors may have greater financial or technical resources than the Group or other competitive advantages. As the Group's distribution businesses benefit from natural monopolies, the Group does not face competition in this area. Across the markets in which the Group operates, legislation has brought about the liberalisation of the energy sectors, which has resulted in increased competition for the Group in the supply sector. If a significant number of the Group's electricity customers choose to switch their supplier, the Group's supply business and therefore its results of operations could be significantly adversely affected. Market liberalisation in Turkey and Georgia has resulted in increased competition in the sale of electricity to high voltage customers, which may apply downward pressure on pricing. In addition, as the Group's Turkish

HPPs lose the benefit of their FiTs (see, "*Regulation—Regulation in Turkey*"), the Group will face increased competition from merchant generators.

In respect of electricity generation, an increase in generation capacity amongst the Group's competitors, including as a result of an increase in merchant generation, may result in over-supply, which could bring down the wholesale price of electricity on the non-regulated market. Any long-term decrease in the wholesale price of electricity generated by the Group's HPPs that do not benefit from regulated tariffs may adversely affect the Group's results of operations.

The Group may not successfully implement its key strategies.

The Group faces many risks that could adversely affect its ability to implement its key strategies (See "*Description of the Business of the Group—Strategy*"), such as changes in electricity demand in Bulgaria, Georgia and Turkey, changes in regulatory frameworks, increases in generation and distribution costs, future developments affecting the electricity infrastructure within the markets in which the Group operates, competition, political and economic developments affecting Bulgaria, Georgia and Turkey. Any failure to implement the Group's key strategies successfully could have a material adverse effect on its business, results of operations and financial condition.

A default by any of the Group's counterparties (including its partners, contractors, subcontractors, off-takers and suppliers) may affect the Group's financial condition.

Group companies enter into contracts with a range of counterparties, including contractors, subcontractors, engineers, operators, other service providers, off-takers, suppliers and customers and, accordingly, the Group is subject to the risk that a counterparty will default or be delayed in performing its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. The Group's counterparties may default or delay the performance of their obligations for a number of reasons, including as a result of their bankruptcy, a lack of liquidity or operational failure. Any default or delay in the performance of contractual obligations by the Group's counterparties may affect the cost and completion of its projects, the quality of its work and the supply of electricity to its customers. It may also expose the Group to reputational risk, business continuity risk and the loss of important contracts. In addition, the Group may be required to pay contractual penalties or find alternative counterparties, however in respect of off-take agreements, the risk of default is mitigated by the Group having distribution operations in two of the jurisdictions in which it generated electricity. Any such setbacks may result in delays in the completion of the Group's projects and other unforeseen costs, which could have a material adverse effect on its business, results of operations and financial condition.

A strike or other labour disruption at the Group's facilities could adversely affect its business.

Most of the Group's employees in Bulgaria and Georgia are covered by collective bargaining agreements which are renegotiated on an annual basis. These collective bargaining agreements determine the framework for the Group's dealings with its employers and limit its ability to rationalise its workforce. Management believes that partly as a result of these and similar agreements that the Group has executed in the past, it has experienced no strikes, threats of strikes, or other resistance or work stoppages. Any significant industrial action by the Group's employees in the future could have a material adverse effect on its business, results of operations and financial condition.

The Group is reliant upon skilled managers and personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel.

The Group's business and operations are dependent upon its ability to recruit and retain skilled managers and engineering and other technical personnel. If the Group is unable to retain experienced, capable and reliable personnel, or fails to recruit skilled professional and technical staff to replace those who leave, the Group's operations may be adversely affected. There is significant demand for experienced and capable personnel in the engineering and technical fields and the Group faces significant competition to recruit such personnel.

The Group may not be able to successfully integrate businesses acquired in the future.

The Group has made in the past and may make in the future acquisitions of, other companies, assets and businesses. After completion of a transaction, the Group may be required to integrate the acquired companies, businesses, assets or operations into its existing operations. In addition, such transactions may involve the assumption of certain actual or potential, known or unknown, liabilities, which may have a potential impact on the Group's financial risk profile. Further, the price the Group may pay in any future transaction may prove to be too high as a result of various factors, such as a significant change in market conditions, the limited opportunity to conduct due diligence prior to a purchase or unexpected changes in the acquired business or asset. Any failure to successfully integrate an acquired business in the future or a failure to assess the appropriate market price of a

future acquisition may have an adverse effect on the Group's business, results of operations and financial condition.

The Group's ability to access credit and bond markets and its ability to raise additional financing is in part dependent on its credit ratings.

The Group's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the credit rating of the Issuer. As at the date of these Listing Particulars, the Issuer has been assigned a long-term corporate credit rating of BB- (outlook stable) by S&P and an issuer default rating of BB (outlook stable) by Fitch. The Issuer's ability to maintain its current rating is dependent on a number of factors, some of which may be beyond its control. These factors are more fully described in the various press releases and rating reports published by S&P and Fitch from time to time (including the press release issued by Fitch on or around 23 April 2018 in connection with the proposed issue of the Notes), and available on their respective websites, as well as on the website of the Issuer. In the event that the Issuer's credit rating is lowered, the Group's ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This could have an adverse effect on its business, results of operations and financial condition.

The Notes will be structurally subordinated to the liabilities and preference shares (if any) of the Issuer's non-guarantor subsidiaries.

Generally, claims of creditors of the Issuer's non-guarantor subsidiaries, including trade creditors, and claims of preference shareholders (if any) of such non-guarantor subsidiaries, will have priority with respect to the assets and earnings of such non-guarantor subsidiaries over the claims of creditors of its parent entity, including claims by the Noteholders under the Guarantee. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of the Issuer's non-guarantor subsidiaries, holders of such non-guarantor subsidiaries' indebtedness, including holders of third party debt which such non-guarantor subsidiaries have guaranteed, and trade creditors of such non-guarantor subsidiaries will generally be entitled to payment of their claims from the assets of those non-guarantor subsidiaries before any assets are made available for distribution to those non-guarantor subsidiaries' parent entity. As such, the Notes and the Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the non-guarantor subsidiaries. See also "*The Issuer is a holding company and is completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including the Notes*".

The Issuer is a holding company and is completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including the Notes.

The Issuer is a holding company and its primary assets consist of its shares in its subsidiaries and cash in its bank accounts. The Issuer has no revenue generating operations of its own, and therefore the Issuer's cash flow and ability to service its indebtedness, including the Notes, will depend primarily on the operating performance and financial condition of its operating subsidiaries and the receipt by the Issuer of funds from such subsidiaries in the form of repayment of intercompany loans and related interest, dividends or otherwise. Because the debt service of the Notes is completely dependent upon the cash flows of the Issuer's operating subsidiaries, the Issuer may be unable to make required interest and principal payments on the Notes.

The operating performance and financial condition of the Issuer's operating subsidiaries and the ability of such subsidiaries to provide funds to the Issuer will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond the Issuer's control. The Issuer's operating subsidiaries may not generate income and cash flow sufficient to enable the Issuer to meet the payment obligations on the Notes.

In addition, the Issuer and its subsidiaries may incur other debt in the future that may contain financial or other covenants more restrictive than those contained in the Trust Deed governing the Notes.

Finally, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any of the Notes.

The Issuer's shareholder's interests may, in certain circumstances, be different from the interests of the Noteholders.

The Group's controlling shareholder is Mr. Jaromír Tesař who beneficially owns 100 per cent. of the shares in the Issuer. As a result, Mr. Tesař is in a position to control the outcome of actions requiring shareholders' approval and also has the ability to approve the election of all the members of the board of directors of the Issuer (the "**Board**") and thus influence Board decisions, as well as decisions in his capacity as the Chairman of the Supervisory Boards of EPG Georgia and EP Georgia and presence on the boards of other companies in the

Group. The interests of Mr Tesař may be different from those of the Group's creditors (including the Noteholders).

The Group has substantial debt and its financial obligations could impair its ability to service its debt, carry out new financings and fund its capital expenditures.

The Group has substantial debt and other financial obligations (see "*Description of the Business of the Group—Indebtedness and Contingent Liabilities of the Group*"). The Group cannot give any assurances that its cash flow from operations will be sufficient to service its debt and to meet other payment obligations or to fund its planned capital expenditures without the need for additional external financing. The Group's substantial debt and other financial obligations could limit its flexibility in planning for, or reacting to, changes in its business or its industry, which could have a material adverse effect on the Group's business, results of operations and financial condition.

A failure by the Group to service its indebtedness could result in a variety of material adverse consequences.

A failure by the Group to service its indebtedness could result in a variety of material adverse consequences, including the acceleration of its indebtedness and the exercise of remedies by its creditors and such defaults could trigger additional defaults under other indebtedness or agreements, including the Notes. If such creditors accelerate under indebtedness other than the Notes, this will trigger an event of default under the Notes if the cross-acceleration threshold of €10.0 million is met and enable Noteholders to accelerate the Notes in accordance with their terms. In such a situation, the Group may not be able to repay the accelerated indebtedness which may include the Notes.

The Group could incur unforeseen taxes, tax penalties and sanctions which could adversely affect its results of operations and financial condition.

Some provisions of the tax laws in the countries in which the Group operates are ambiguous and there is often no unanimous or uniform interpretation or practice of the law by the applicable tax authorities and the courts. In certain cases tax authorities could have a high degree of discretion, for instance in relation to transfer pricing tax legislation, and at times may exercise their powers arbitrarily and selectively enforce tax laws and regulations, which could be in a manner that is contrary to the law. The imposition of any new taxes in the countries in which the Group operates, or changing interpretations, possibly with retrospective effect, or application of tax regulations by the tax authorities, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the Group, which could have a material adverse effect on our business, results of operations and financial condition.

There are additional risks associated with investing in emerging markets such as Bulgaria, Georgia and Turkey.

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavoring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Bulgaria, Georgia or Turkey could be adversely affected by negative economic or financial developments in other emerging market countries. Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable.

The legal infrastructure and the law enforcement systems in the Czech Republic, Bulgaria, Georgia and Turkey are less developed compared to Western Europe.

The legal infrastructure and the law enforcement systems in the Czech Republic, Bulgaria, Georgia and Turkey are less developed when compared to some western European countries. In some circumstances, it may not be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have begun to develop in the Czech Republic, Bulgaria, Georgia and Turkey, the lack of an institutional history remains a problem. Additionally, certain articles of the Turkish Constitution were amended in a referendum held in 2017 and the existing parliamentary system of government will be replaced with an executive presidency from 2019. As a result, shifts in government policies and regulations in these countries tend to be less predictable than in countries with more developed democracies. A lack of legal certainty or the inability to obtain effective legal

remedies in a timely manner or at all may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, in such countries, there may be fewer judges specialised and experienced in complex matters involving investments in securities when compared to judges in western European countries. Investors should therefore be aware that matters that must be brought before the relevant courts (for example, insolvency matters) may be subject to delays and may not be conducted in a manner similar to more developed legal systems and may, as a result, lead to delays in proceedings or losses on the Notes.

The Group conducts its business in several different currencies and is exposed to foreign currency risks.

The majority of the Group's indebtedness is and will continue to be denominated in EUR and USD, while much of the Group's income is denominated in other currencies. For the Group's activities in Bulgaria, the revenues and operating expenses are denominated in BGN. Given the fact that the lev has been pegged to the euro since 1 January 1999 at a rate of BGN1.95583 to EUR1.00, the Group's exposure to movements in the lev/euro exchange rate (in the absence of an adjustment or abolition of the peg) is limited. If the peg were to be removed, the debt servicing costs for the Group could increase.

In Georgia, the Group's revenues and operating expenses are denominated in GEL, which is a free-floating currency. Any depreciation in the GEL against the EUR would expose the Group to increased debt servicing costs.

In Turkey, the Group's revenues from the FiTs are denominated in USD but are paid in TRY. If the TRY were to depreciate against the USD between the time amounts under the FiT are converted from USD into TRY and the time that they are paid, which is approximately 20 days, the Group would be exposed to higher debt servicing costs. Furthermore, when the Turkish HPPs leave the FiT regime between 2019-2020, there is a risk that the prices expressed in USD are materially lower than the FiT due to TRY depreciation against the USD.

There are no effective and economical hedging instruments available to mitigate these foreign currency risks.

The Group is unable to or may not insure itself against all potential risks and may become subject to higher insurance premiums.

The Group's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, the Group has not purchased business interruption, war, terrorist or expropriation insurance cover in all of the jurisdictions in which the Group operates. In addition, the severity and frequency of various insurance events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the Group to liabilities in excess of its insurance coverage. The Group cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

In addition, the Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore insurance may not cover all losses incurred by the Group and no assurance is given that the Group will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, the Group could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the affected property. Similarly, in the event that any assessments are made against the Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks arising from unlawful or arbitrary governmental action.

In the jurisdictions in which the Group operates, government authorities may have more onerous requirements or a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Such governmental action could include, amongst other things, the withdrawal of licences, the expropriation of property without adequate compensation or the forced recapitalisation, merger or sale of Group companies. Any such action taken in respect of the Group could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

A malfunction, security breach or disruption of the Group's IT systems, inability to keep pace with the technological changes in the energy sector or insufficient maintenance of the IT systems or cyber security measures may have material negative consequences for the Group.

Information and communication technology plays an important role in the Group's business operations, particularly its billing systems. The Group operates highly complex and sophisticated information systems (such as servers, networks, applications and databases) which are essential for the everyday operations of its business and are a key success factor for the Group. The Group is routinely exposed to IT risks in connection with the development, implementation and application of its IT systems. In addition, there is a risk that there might be unauthorised access to the Group's sensitive data by third parties and improper use of such data, which may lead to the loss of company secrets and may result in a breach of applicable data protection regulations. As a result, any malfunction, breach or unauthorised use of the Group's IT systems may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Restrictive covenants in the Conditions may restrict the Group's ability to operate its business. The Group's failure to comply with these covenants, including as a result of events beyond its control, could result in an Event of Default that could materially and adversely affect its financial condition and results of operations.

The Conditions will contain negative covenants restricting, among other things, the Group's ability to:

- incur or guarantee additional debt;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of its subsidiaries to make distributions;
- engage in sales of assets and subsidiary stock; and
- transfer all or substantially all of its assets or enter into merger or consolidation transactions.

As a result, the Group may be limited in the manner in which it can conduct its business. A failure to comply with the restrictions contained in the Conditions could lead to an Event of Default, which could result in an acceleration of indebtedness.

There can be no assurance that the Group's future operating results will be sufficient to ensure compliance with the covenants in the Conditions or to remedy any such default. In addition, in the event of acceleration, the Group may not have or be able to obtain sufficient funds to make any accelerated payments.

Risks relating to the Notes

Investors may forfeit interest and principal amount invested.

Should the Issuer or the Guarantors become insolvent during the term of the Notes, an investor may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. An investor is always solely responsible for the economic consequences of his/her investment decision.

Investors are exposed to credit risk in respect of the Issuer and the Guarantors.

Investors in the Notes are exposed to a credit risk in respect of the Issuer and the Guarantors. The investor's ability to receive interest payments and payments of principal under the Notes (or payments under the Guarantee) is thus dependent on the Issuer's or the Guarantors' (as applicable) ability to fulfil their respective payment obligations, which in turn is to a large extent dependent on developments in the businesses of the Issuer and the Guarantors and their financial performance. Should the Issuer or the Guarantors become insolvent during the term of the Notes, investors may lose interest payable on, and the principal amount of, the Notes in whole or in part.

Since the Notes bear interest at a fixed interest rate, movements in market interest rates can adversely affect the value of the Notes.

The Notes bear interest on their outstanding principal amount at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the value of such security could fall as a result of changes in the market interest rate. While the nominal compensation rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate increases, the value of such a security typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate falls, the value of a security with a fixed interest rate typically increases, until the yield of such a security is approximately equal to the market interest rate. Consequently, Noteholders should be aware that

movements of the market interest rate can adversely affect the value of the Notes and can lead to losses for the Noteholders if they sell their Notes.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's results of operations, prospects or financial condition. Factors including increased competition or the Group's operating results, the regulatory environment, general market conditions, natural disasters, terrorist attacks and war may have an adverse effect on the market price of the Notes.

Laws and practices applicable to the Notes may change.

The Notes are issued under the laws of England in force on the issue date. Any new statutes, ordinances and regulations, amendments to the legislation or changes in application of the law (including any amendments to or changes in application of tax laws or regulations) after the issue date may affect the Notes and/or have a material adverse effect on the Group's business, financial condition, results of operations and future prospects, and, thereby, on the Issuer's ability to fulfil its obligations under the Notes as well as the market price and value of the Notes. Furthermore, the Group operates in a heavily regulated environment and has to comply with regulations in the Czech Republic, Georgia, Turkey and the Republic of Bulgaria. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices of these jurisdictions after the date of these Listing Particulars.

Denominations involve integral multiples; certificates.

The Notes have denominations consisting of a minimum of EUR100,000 plus integral multiples of EUR1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of EUR100,000. In such a case a holder who, as a result of trading such amounts, holds a principal amount which is less than EUR100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of EUR100,000 such that its holding amounts to EUR100,000 or a higher integral multiple of EUR1,000. Further, a Noteholder who, as a result of trading such amounts, holds a principal amount which is less than EUR100,000 in its account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to EUR100,000.

If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of EUR100,000 may be illiquid and difficult to trade.

Secured creditors of the Issuer or its subsidiaries will have priority as to the assets of the Issuer or its subsidiaries over claims of holders of the Notes.

The Notes are unsecured obligations of the Issuer. The Trust Deed governing the Notes permits the Issuer and its subsidiaries to secure certain indebtedness and other obligations without rateably securing the Notes. Therefore the Notes are effectively subordinated to any secured indebtedness of the Issuer or its subsidiaries (including the Guarantors) from time to time. Accordingly, the holders of the Issuer's secured indebtedness and the holders of its subsidiaries' (including the Guarantors) secured indebtedness will have claims over the assets of such companies that are superior to the claims of the Noteholders to the extent of the value of the assets securing such other indebtedness.

In the event of a bankruptcy, liquidation or dissolution of the Issuer or the Guarantors, the assets that serve as collateral for any secured indebtedness of the Issuer or the Guarantors, or the proceeds of sale of insolvency estate, as the case may be, would be available to satisfy the obligations under the secured indebtedness before any payments are made on the Notes or under the Guarantee, as the case may be. Other than as set out in Condition 5 (*Financial Covenants*) and Condition 6 (*Negative Pledges*), the Conditions do not prohibit the Issuer or the Guarantors from incurring and securing future indebtedness.

Redemption prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10 (*Taxation*)) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes

effective on or after 2 May 2018 or a Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts (as more fully set out in Condition 9.2 (*Redemption for Taxation Reasons*)), the Issuer may redeem all outstanding Notes in accordance with the Conditions.

The Notes are also redeemable at the Issuer's option (as more fully set out in Condition 9.3 (*Redemption at the Option of the Issuer (Makewhole)*), Condition 9.4 (*Redemption at the Option of the Issuer (Equity Offering)*), Condition 9.5 (*Redemption at the Option of the Issuer (Premium)*) and Condition 9.6 (*Redemption at the Option of the Issuer (Certain Tender Offers and Other Offers to Purchase)*)), and the Issuer may choose to redeem the Notes at a time when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

In addition, the Notes are redeemable by the Noteholders on the occurrence of a Change of Control Put Event (as more fully set out in Condition 9.8 (*Redemption at the Option of the Noteholders upon a Change of Control*)). Exercise of such put option may affect the liquidity of such Notes in respect of which such option is not exercised. Depending on the number of Notes in respect of which the put option is exercised, any trading market of for the Notes in respect of which such put option is not exercised may become illiquid. In addition, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Modification, Waivers and Substitution.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, the Trust Deed or the Agency Agreement or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such.

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg.

The Notes will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments through Euroclear and Clearstream, Luxembourg. A holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate and holders of definitive Certificates will not have a direct right under the Global Certificate or such definitive Certificates to take enforcement action against the Issuer in the event of a default under the Notes, but will have to rely upon their rights under the Trust Deed.

Risks Related to the Market Generally

An active trading market for the Notes may not develop.

The Notes may have no established trading market when issued, and the Issuer cannot assure investors that an active trading market for the Notes will develop or be maintained. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls exist to the extent payments in respect of the Notes are made in a currency other than the currency in which an investor's activities are denominated.

The Issuer will pay principal and interest on the Notes in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than in euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euros or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euros would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. Changes in market interest rates may adversely affect the value of the Notes. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes, since the Notes have a fixed rate of interest and prevailing interest rates in the future may be higher than that fixed rate of interest.

Credit ratings may not reflect all risks.

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. The Notes are expected, on issue, to be rated BB- by S&P and BB by Fitch, respectively, and one or more other independent credit rating agencies may from time to time assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Notes and additional factors discussed in these Listing Particulars or any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspend or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Notes:

The EUR250,000,000 4.50 per cent. Guaranteed Notes due 2024 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 18 and forming a single series with the Notes) of ENERGO-PRO a.s. (the **Issuer**) are constituted by a Trust Deed dated 4 May 2018 (the **Trust Deed**) made between the Issuer, ENERGO-PRO Georgia Generation JSC, ENERGO-PRO Georgia JSC, ENERGO-PRO VARNA EAD and Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. (together, the **Guarantors** and each, a **Guarantor**) as guarantors and Citibank, N.A., London Branch (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 4 May 2018 (the **Agency Agreement**) made between the Issuer, the Guarantors, the Registrar, the other Agents and the Trustee are available for inspection during normal business hours by the Noteholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at 13th Floor, Citigroup Centre, Canada Square, London E14 5LB and at the specified office of each of the Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of EUR100,000 and integral multiples of EUR1,000 in excess thereof (referred to as the **principal amount** of a Note). A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or writing on the Certificate representing it, or the previous theft or loss of such Certificate) and no person will be liable for so treating the holder. In these Conditions, **Noteholder** and (in relation to a Note) **holder** means the person in whose name a Note is registered in the register of Noteholders.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address

specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium (if any) or interest on that Note.

The Issuer shall not be required in the event of a partial redemption of Notes under Condition 9:

- (a) to register the transfer of Notes (or parts of Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Note, or part of a Note, called for redemption.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS OF THE NOTES

The Notes are direct, unconditional and (subject to the provisions of Condition 6) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. GUARANTEE

4.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis (the **Guarantees** and each a **Guarantee**) in the Trust Deed.

4.2 Status of the Guarantee

The obligations of each Guarantor under its Guarantee constitute direct, unconditional and (subject to the provisions of Condition 6) unsecured obligations of such Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4.3 Release of the Guarantee

The Guarantee of a Guarantor will be released in connection with any sale, transfer or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person if the sale, transfer or other disposition does not breach Condition 5.5 and such Person becomes a Guarantor at the time of such sale, transfer or other disposition.

5. FINANCIAL COVENANTS

5.1 Restricted Payments

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:
 - (i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or to a Restricted Subsidiary);
 - (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
 - (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement; or
 - (iv) make any Restricted Investment;

(all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as **Restricted Payments**), unless, at the time of and after giving effect to such Restricted Payment, the conditions specified in Condition 5.1(b) are satisfied or the Restricted Payment is permitted under Condition 5.1(c):

- (b) The conditions referred to in Condition 5.1(a) are that at the relevant time:
- (i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
 - (ii) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least EUR1.00 of additional Indebtedness pursuant to the Original Consolidated Net Leverage Ratio Test set forth in Condition 5.2(a)(i); and
 - (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by Condition 5.1(c)(ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xiii) and (xiv)) is equal to or less than the sum, without duplication, of:
 - (A) 50 per cent. of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from 1 July 2017 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); *plus*
 - (B) 100 per cent. of the aggregate net cash proceeds received and the Fair Market Value of marketable securities or other property received by the Issuer since the Issue Date as a contribution to its common capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Issuer that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer); *plus*
 - (C) to the extent that any Restricted Investment that was made after the Issue Date is (x) sold, disposed of or otherwise cancelled, liquidated or repaid, 100 per cent. of the aggregate amount received in cash and the Fair Market Value of any marketable securities or other property received by the Issuer or any Restricted Subsidiary, or (y) made in an entity that subsequently becomes a Restricted Subsidiary (or is merged or consolidated with or into the Issuer or a Restricted Subsidiary), 100 per cent. of the Fair Market Value of such Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary (or is so merged or consolidated); *plus*
 - (D) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary of the Issuer, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary of the Issuer, 100 per cent. of the Fair Market Value of the property received by the Issuer or such Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the

extent such Investment reduced the Restricted Payments capacity under this clause (5) and was not previously repaid or otherwise reduced; *plus*

- (E) 100 per cent. of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period.

(c) Condition 5.1(a) will not prohibit:

- (i) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Trust Deed and these Conditions;
- (ii) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from Condition 5.1(b)(iii)(B) of the preceding paragraph;
- (iii) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;
- (iv) the declaration or payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests on no more than a *pro rata* basis;
- (v) the defeasance, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer held by any of the Issuer's (or any of its Restricted Subsidiaries') current or former officers, directors, employees or consultants or their permitted transferees pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed EUR1.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into the succeeding calendar year) and *provided*, further, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary of the Issuer received by the Issuer or such Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any Parent Entity to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant Condition 5.1(b)(iii)(B) or Condition 5.1(c)(ii);
- (vi) repurchases of Subordinated Obligations (other than those held by Affiliates of the Issuer) at a purchase price not greater than (i) 101 per cent. of the principal amount of

such Subordinated Obligations and accrued and unpaid interest thereon in the event of a Change of Control or (ii) 100 per cent. of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of an Asset Sale, in each case plus accrued interest, in connection with any change of control offer or asset sale offer required by the terms of such Indebtedness, but only if:

- (A) in the case of a Change of Control, the Issuer has first complied with and fully satisfied its obligations under the provisions described in Condition 9.8; or
 - (B) in the case of an Asset Sale, the Issuer has complied with and fully satisfied its obligations in accordance with in Condition 5.5;
- (vii) the repurchase, redemption or other acquisition for value of Capital Stock of the Issuer representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary or any other transaction permitted by the Trust Deed;
- (viii) repurchases of Equity Interests deemed to occur upon the exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price thereof;
- (ix) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any Guarantor or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the Consolidated Net Leverage Ratio test described below in Condition 5.2(a);
- (x) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;
- (xi) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock) or any Restricted Subsidiary, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock); provided that the total aggregate amount of Restricted Payments made under this clause (xi) does not exceed EUR2.0 million in any calendar year;
- (xii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed EUR10.0 million since the Issue Date;
- (xiii) payments in an aggregate amount not to exceed EUR100.0 million since the Issue Date made in connection with the Development Projects;
- (xiv) Permitted Parent Payments; and

- (xv) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment and any related transaction.
- (d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.
- (e) Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

5.2 Incurrence of Indebtedness and Issuance of Preferred Stock

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, incur) any Indebtedness (including Acquired Debt) or issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Issuer and any Guarantor may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Consolidated Net Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred is less than:
 - (i) 4.50 to 1.0 for any such incurrence or issuance on or before 7 December 2019 (the **Original Consolidated Net Leverage Ratio Test**),
 - (ii) 4.00 to 1.0 for any such incurrence or issuance after 7 December 2019 and on or before 7 December 2020, or
 - (iii) 3.50 to 1.0 for any such incurrence or issuance after 7 December 2020,
 in each case determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.
- (b) Condition 5.2(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, **Permitted Debt**):
 - (i) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the Issue Date and the incurrence by any Guarantor of a Guarantee at any time;
 - (ii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Existing Indebtedness;
 - (iii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness, in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Trust Deed to be incurred under Condition 5.2(a) or 5.2(b)(i), (ii), (xii) or this clause (iii);

- (iv) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; provided, however, that:
 - (A) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Guarantee, in the case of a Guarantor; and
 - (B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (iv);
- (v) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:
 - (A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and
 - (B) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (v);
- (vi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible financial or accounting officer of the Issuer);
- (vii) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, as applicable, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
- (viii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;
- (ix) Indebtedness in respect of self-insurance obligations or captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business;
- (x) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or any of its Restricted Subsidiaries providing for indemnification, obligations in respect of earnouts or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed

in connection with the disposition of any business, assets or Capital Stock of a Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

- (xi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of (A) letters of credit, bid, performance, appeal, surety and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or similar instruments issued for the account of the Issuer and any of its Restricted Subsidiaries in the ordinary course of business (in each case, (i) other than an obligation for money borrowed and (ii) to the extent such obligations are reimbursed within 30 days of incurrence), including guarantees and obligations of the Issuer or any of its Restricted Subsidiaries with respect to letters of credit or similar instruments supporting such obligations or in respect of self-insurance and workers compensation obligations; and (B) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;
- (xii) Indebtedness or preferred stock of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Issuer or a Restricted Subsidiary of the Issuer or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary of the Issuer in accordance with the Trust Deed (other than Indebtedness incurred (a) to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or was merged into the Issuer or a Restricted Subsidiary or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, with respect to this clause (xii) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (A) the Issuer would have been able to incur EUR1.00 of additional Indebtedness pursuant to Condition 5.2(a) after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (xii) or (B) the Consolidated Net Leverage Ratio would not be more than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (xii);
- (xiii) Indebtedness represented by guarantees of any Management Advances;
- (xiv) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business;
- (xv) the incurrence by the Issuer or any Restricted Subsidiary of additional Indebtedness, or the issuance of Disqualified Stock by the Issuer or a Guarantor or any issuance by a Restricted Subsidiary of preferred stock and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed EUR20.0 million;
- (xvi) the incurrence by the Issuer or any Guarantor of Indebtedness under Credit Facilities and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed EUR30.0 million;

- (xvii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness or preferred stock, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, development, construction, lease, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Permitted Business (including Equity Interests of any Person owning such assets) (including any reasonable related fees or expenses incurred in connection therewith), and any Permitted Refinancing Indebtedness in respect thereof, in an aggregate principal amount at any time outstanding not to exceed EUR10.0 million;
 - (xviii) guarantee by the Issuer and its Restricted Subsidiaries of Indebtedness of an Unrestricted Subsidiary or joint venture of the Issuer or any of its Restricted Subsidiaries not exceeding EUR5.0 million in the aggregate at any time outstanding; and
 - (xix) guarantee by the Issuer in relation to the \$166.0 million facility agreement dated 29 June 2016 as amended and restated from time to time including on 21 December 2016 between, among others, Bilsev Enerji Üretim ve Ticaret A.Ş. as borrower, the Issuer as guarantor and AKBANK T.A.Ş. as original lender, agent and security agent, and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed \$108.0 million.
- (c) Notwithstanding the foregoing, the Issuer's Restricted Subsidiaries that are not Guarantors may not, directly or indirectly, incur Indebtedness pursuant to (i) Condition 5.2(a), 5.2(b)(vii) (to the extent a Restricted Subsidiary that is not a Guarantor guarantees Indebtedness of the Issuer or a Guarantor), 5.2(b)(xv) or 5.2(b)(xviii) or (ii) any Permitted Refinancing Indebtedness in respect thereof or hereof in an aggregate principal amount at any time outstanding greater than EUR70.0 million less the aggregate outstanding principal amount of Indebtedness secured by a Lien pursuant to clause (ff) of the definition of Permitted Liens (except, to avoid duplication, to the extent such Liens secure Non-Guarantor Debt).
- (d) The Issuer will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.
- (e) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:
- (i) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Condition 5.2(b), or is entitled to be incurred pursuant to Condition 5.2(a), the Issuer, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses although the Issuer may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

- (ii) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and
 - (iii) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.
- (f) The amount of any Indebtedness outstanding as of any date will be:
 - (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
 - (ii) in the case of any Indebtedness owed to any export credit agency, adjusted to exclude the effect of the increase in the principal amount of such Indebtedness in accordance with IFRS resulting solely from the effect of the amortisation of the insurance premium initially applied to reduce the principal of the Indebtedness;
 - (iii) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
 - (iv) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (A) the Fair Market Value of such assets at the date of determination; and
 - (B) the amount of the Indebtedness of the other Person; and
 - (v) in the case of Hedging Obligations, the net amount payable if such Hedging Obligations were terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off).
- (g) Accrual of interest, accrual of dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.
- (h) Notwithstanding any other provision of this covenant (including pursuant to any Permitted Refinancing Indebtedness permitted pursuant to this covenant), the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.
- (i) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary of the Issuer, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this Condition 5.2, the Issuer shall be in Default of this covenant).
- (j) For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; provided however, that (i)

if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euros, the amount of such Indebtedness expressed in euros will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

- (i) such euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with the preceding sentence; and
- (ii) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the euro-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.
- (iii) The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

5.3 Dividend and other Payment Restrictions Affecting Subsidiaries

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (i) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Issuer or any of its Restricted Subsidiaries;
- (ii) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or
- (iii) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary of the Issuer to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

- (b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (i) agreements governing Existing Indebtedness as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; provided that the amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue

Date (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);

- (ii) the Trust Deed, the Notes (including further issuances as described in Condition 18) and the Guarantee;
- (iii) applicable law, rule, regulation or order or the terms of any license, authorization, approval, concession or permit or similar restriction;
- (iv) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Trust Deed and these Conditions to be incurred;
- (v) customary non-assignment and similar provisions (including subletting restrictions) in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;
- (vi) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in Condition 5.3(a)(iii);
- (vii) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the assets of a Restricted Subsidiary of the Issuer that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;
- (viii) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);
- (ix) Liens permitted to be incurred under the provisions of the covenant described in Condition 6 that limit the right of the debtor to dispose of the assets subject to such Liens;
- (x) provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements;
- (xi) agreements governing other Indebtedness of the Issuer or any of its Restricted Subsidiaries or the issuance of preferred stock by a Restricted Subsidiary of the Issuer or the payment of dividends thereon in accordance with the terms thereof permitted to be incurred subsequent to the Issue Date or issued, as applicable, under the covenant described in Condition 5.2; and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; provided that such encumbrance or restriction contained in such Indebtedness is not materially more restrictive taken as a whole than customary in comparable financings in such jurisdictions as such Indebtedness is being

incurred (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);

- (xii) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements and similar documents and agreements;
- (xiii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;
- (xiv) encumbrances or restrictions contained in Hedging Obligations permitted from time to time under the Trust Deed;
- (xv) restrictions on cash, Cash Equivalents or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under contracts entered into in the ordinary course of business;
- (xvi) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in this Condition 5.3(b); provided that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive taken as a whole than those under or pursuant to the agreement so extended, renewed, refinanced or replaced (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer); and
- (xvii) encumbrances on property that exist at the time the property was acquired by the Issuer or Restricted Subsidiaries provided that such encumbrance was not created in anticipation of such acquisition and is not applicable to any property other than the property so acquired.

5.4 Merger, Consolidation or Sale of Assets

- (a) The Issuer will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:
 - (i) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organised or existing under the laws of any member state of the European Union as in effect on 31 December 2003, Switzerland, Canada, any state of the United States or the District of Columbia;
 - (ii) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes, these Conditions and the Trust Deed;
 - (iii) immediately after such transaction or transactions, no Default or Event of Default exists;
 - (iv) the Issuer or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing

transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least EUR1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in Condition 5.2(a); or (ii) have a Consolidated Net Leverage Ratio not more than it was immediately prior to giving *pro forma* effect to such transaction;

- (v) each Guarantor (unless it is the other party to the transactions above, in which case clause (ii) shall apply) shall have by supplemental trust deed confirmed that its Guarantee shall apply to such Person's obligations in respect of the Trust Deed and the Notes and shall continue to be in effect; and
 - (vi) the Issuer shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental trust deed (if any) comply with this covenant; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.
- (b) A Guarantor (other than any Guarantor whose Guarantee is to be released in accordance with the terms of the Trust Deed) may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Issuer or another Guarantor, unless:
 - (i) immediately after giving effect to that transaction, no Default or Event of Default exists; and
 - (ii) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer or another Guarantor) unconditionally assumes, pursuant to a supplemental trust deed, all the obligations of such Guarantor under the Trust Deed and its Guarantee on terms set forth therein.
- (c) For purposes of this Condition 5.4, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Issuer.
- (d) In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.
- (e) Condition 5.4(a)(iii) and (iv) will not apply to any merger or consolidation of the Issuer or any Restricted Subsidiary into an Affiliate solely for the purpose of reincorporating the Issuer or such Restricted Subsidiary of the Issuer in another jurisdiction for tax reasons, or for the purpose of changing the legal form or the legal domicile of such entity. Nothing in the Trust Deed will prevent and this covenant will not apply to any Restricted Subsidiary that is not the Issuer or a Guarantor consolidating with, merging with or into or transferring all or part of its properties and assets to the Issuer, a Guarantor or another Restricted Subsidiary, or any Guarantor from merging into the Issuer or another Guarantor.

5.5 Asset Sales

- (a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
 - (i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
 - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
 - (A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Issuer or such Restricted Subsidiary from further liability or indemnifies the Issuer or such Restricted Subsidiary against further liabilities;
 - (B) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;
 - (C) any Capital Stock or assets of the kind referred to in Conditions 5.5(b)(i)(C) or 5.5(b)(i)(D);
 - (D) Indebtedness (other than Subordinated Obligations) of any Restricted Subsidiary of the Issuer that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;
 - (E) any Designated Non-Cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (E) that is at that time outstanding, in an amount not to exceed EUR15.0 million (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);
 - (F) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Obligations) received from Persons who are not the Issuer or any Restricted Subsidiary of the Issuer; and
 - (G) a combination of the consideration specified in clauses (A) to (F).
- (b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may:

- (i) apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):
 - (A) to purchase the Notes pursuant to an offer to all Holders of Notes at a purchase price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of purchase (a **Notes Offer**);
 - (B) to repay, repurchase, prepay or redeem (a) to the extent such Net Proceeds are from an Asset Sale of assets of a Restricted Subsidiary that is not a Guarantor, any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor, (b) any Indebtedness that is secured by a Lien on the assets or property subject to such Asset Sale and, if the Indebtedness repaid, repurchased, prepaid or redeemed is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto or (c) Pari Passu Indebtedness that is not Public Debt at a price of no more than 100 per cent. of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such repayment, repurchase, prepayment or redemption;
 - (C) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (D) to make capital expenditures;
 - (E) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business; or
 - (F) any combination of the foregoing; or
- (ii) enter into a binding commitment to apply the Net Proceeds pursuant to Condition 5.5(b)(i)(C), (D) or (E); provided that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period.
- (c) Pending the final application of any Net Proceeds, the Issuer or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Trust Deed. Any Net Proceeds from Asset Sales that are not applied or invested as provided in Condition 5.5(b) will constitute **Excess Proceeds**.
- (d) When the aggregate amount of Excess Proceeds exceeds EUR25.0 million, within ten Business Days thereof, the Issuer will make an offer (an **Asset Sale Offer**) to Noteholders and may make an offer to all holders of other Indebtedness that is pari passu with the Notes or any Guarantees of the Issuer or any Guarantor to purchase, prepay or redeem the maximum principal amount of Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100 per cent. of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer

and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes and other Pari Passu Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Notes and such other Pari Passu Indebtedness, if applicable, to be purchased on a pro rata basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a pro rata selection as the Trustee deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

5.6 Designation of Restricted and Unrestricted Subsidiaries

- (a) The Board of Directors of the Issuer may designate any Restricted Subsidiary (other than the Guarantors) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above in Condition 5.1 or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.
- (b) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above in Condition 5.1. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Trust Deed and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described in Condition 5.2, the Issuer will be in default of such covenant. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described in Condition 5.2, calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

5.7 Financial statements

The Issuer will furnish to the Trustee in electronic form as soon they become available but in any event (i) within 180 days after the end of each of its financial years (or in the case of the first such report, 240 days), a copy of the Issuer's audited annual consolidated financial statements for such financial year, together with the report thereon by the Issuer's independent auditors, and (ii) within 90 days after the end of each first half year of each of its financial years (or in the case of the first such report, 120 days), a copy of the Issuer's consolidated financial statements for such six-month period, certified by two directors of the Issuer as fairly representing the financial position of the Issuer and its consolidated subsidiaries as at the relevant date, and the results of operations and changes in financial position of the

Issuer and its consolidated subsidiaries for the relevant period then ended, each prepared and presented in accordance with the relevant laws of the Czech Republic. The Issuer will also make available copies of all reports required by this Condition 5.7 on the Issuer's website. The Trustee's receipt of any financial statement or other document required to be provided to it under this Condition 5.7 shall be without liability to the Trustee and receipt of such financial statements or other documents shall not be deemed to give the Trustee notice of any breach of these Conditions by the Issuer or any Event of Default or Potential Event of Default in respect of the Issuer. The Trustee shall not be required to review any such financial statements nor shall the Trustee be bound to enquire as to whether any such breach of these Conditions or any Event of Default or Potential Event of Default has occurred or may occur on the basis of receipt of such financial statements.

5.8 Maintenance of Authorisations

The Issuer will, and will procure that the Restricted Subsidiaries will, (i) take all action considered necessary, in the opinion of the Issuer, to ensure the continuance of its corporate existence, its business and/or operations; and (ii) take all necessary action to obtain, and do or cause to be done all things necessary to (a) ensure the continuance of, all consents, licences, approvals and authorisations in the Czech Republic, Georgia, the Republic of Bulgaria, The Republic of Turkey and all other jurisdictions in which the Issuer, the Guarantors and/or the Issuer's Subsidiaries operate and (b) make or cause to be made all registrations, recordings and filings, which may be required in the Czech Republic, Georgia, the Republic of Bulgaria, The Republic of Turkey and all other jurisdictions in which the Issuer, the Guarantors and/or the Issuer's Subsidiaries operate, for, in the case of both (a) and (b), the execution, delivery or performance of the Notes, these Conditions, Trust Deed and the Agency Agreement or for the validity, enforceability or admissibility in evidence thereof.

5.9 Maintenance of Holdings

So long as any of the Notes remains outstanding, the Issuer will maintain at least a 50.1 per cent. holding of the Capital Stock of each of the Guarantors.

5.10 Transactions with Affiliates

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) in any twelve-month period which has or in aggregate have a value in excess of EUR15.0 million with, or for the benefit of, any Affiliate (an **Affiliate Transaction**) including, without limitation, intercompany loans, disposals or acquisitions, unless the terms of such Affiliate Transaction are no less favourable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Restricted Subsidiary, as the case may be.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the first paragraph of this covenant:

- (a) any employment agreement, collective bargaining agreement, employee benefit plan, officer or director indemnification agreement, including any stock option, stock appreciation rights, stock incentive or similar plans or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments or other transactions pursuant thereto;

- (b) transactions (including a merger) between or among the Issuer and/or any of its Restricted Subsidiaries;
- (c) payment of reasonable fees to, reimbursements of expenses and indemnity provided on behalf of, officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;
- (d) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer or to any director, officer, employee or consultant of the Issuer, receipt of cash capital contributions from Affiliates of the Issuer in exchange for Equity Interests of the Issuer (other than Disqualified Stock);
- (e) Restricted Payments and Permitted Investments (other than Permitted Investments described in clauses (c), (j) and (s) of the definition thereof) that do not violate Condition 5.1;
- (f) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (g) Management Advances;
- (h) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers or other providers of goods or services, or lessors or lessees of property, in each case in the ordinary course of business and otherwise in compliance with the terms of the Trust Deed which are fair to the Issuer or its Restricted Subsidiaries or on terms at least as favourable to the Issuer or its Restricted Subsidiaries as might reasonably have been obtained at such time from an unaffiliated party (in each case, as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (i) (i) pledges of Equity Interests or Indebtedness of Unrestricted Subsidiaries and joint ventures for the benefit of lenders thereto; and (ii) guarantees of performance by the Issuer and its Restricted Subsidiaries of the Issuer's Unrestricted Subsidiaries in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Issuer), except for guarantees of Indebtedness in respect of borrowed money;
- (j) transactions effected pursuant to or contemplated by agreements or arrangements in effect or entered into on the Issue Date and any amendments, modifications or replacements of such agreements or arrangements (so long as such amendments, modifications or replacements are not materially more disadvantageous to the Noteholders, taken as a whole, than the original agreements or arrangements as in effect on or entered into on the Issue Date) (as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (k) Permitted Parent Payments;
- (l) transactions effected pursuant to or contemplated by agreements or arrangements between any Person and an Affiliate of such Person existing at the time such Person is acquired by, merged into or amalgamated, arranged or consolidated with the Issuer or any of its Restricted Subsidiaries; provided that such agreements or arrangements were not entered into in contemplation of such acquisition, merger, amalgamation, arrangement or consolidation, and any amendments, modifications or replacements of such agreements or arrangements (so long as such amendments, modifications or replacements are not materially more disadvantageous to the Noteholders, taken as a whole, than the original agreements or arrangements as in effect on the date of such acquisition, merger, amalgamation, arrangement or consolidation) (as determined in good faith by a responsible accounting or financial officer of the Issuer);

- (m) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Restricted Subsidiaries and the unwinding of any Hedging Obligations; and
- (n) execution, delivery and performance of any consolidated group arrangements for tax or accounting purposes, provided that any payments to be made pursuant to such arrangements are made in compliance with the covenant as set forth in Condition 5.1.

5.11 Suspension of Covenants When Notes Rated Investment Grade

If on any date following the Issue Date:

- (a) the Notes have achieved Investment Grade Status; and
- (b) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the **Suspension Period**), the covenants specifically listed under the following captions in these Conditions will no longer be applicable to the Notes and any related default provisions in these Conditions will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries:

- (i) Condition 5.1 (*Restricted Payments*);
- (ii) Condition 5.2 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);
- (iii) Condition 5.3 (*Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*);
- (iv) Condition 5.4(a)(iv) (*Merger, Consolidation or Sale of Assets*);
- (v) Condition 5.5 (*Asset Sales*);
- (vi) Condition 5.6 (*Designation of Restricted and Unrestricted Subsidiaries*); and
- (vii) Condition 5.10 (*Transactions with Affiliates*).

Such covenants and any related default provisions will again apply according to their terms from the date the Notes cease to have Investment Grade Status. Such covenants will not, however, be of any effect with regard to the actions of the Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; provided that (A) with respect to the Restricted Payments made after any such re-application, the amount of Restricted Payments will be calculated as though Condition 5.1 had been in effect since the date of the Trust Deed but not during the Suspension Period and (B) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to Condition 5.2(b)(ii). Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee in writing upon the occurrence of a Suspension Period; *provided* that such notice will not be a precondition of the suspension of covenants described under this Condition 5.11.

5.12 Additional Guarantors

- (a) A Guarantor may not sell, transfer or otherwise dispose of any of its assets to another Person (other than the Issuer or another Guarantor) unless it causes the Person acquiring the assets in

any such sale, transfer or other disposition to become a Guarantor and execute a supplemental trust deed at the time of such sale, transfer or other disposition and such other requirements as set out in the Trust Deed are complied with.

- (b) Notwithstanding the foregoing, the relevant Guarantor will not be obligated to cause any such Person to guarantee the Notes pursuant to the preceding paragraph if:
 - (i) the aggregate Fair Market Value of all assets sold, transferred or disposed of by such Guarantor since the Issue Date to a Person that is not the Issuer or a Guarantor (including the Fair Market Value of the assets which are the subject of the relevant transaction itself) does not exceed 10 per cent. of such Guarantor's assets as shown on its balance sheet as of 30 June 2017; and
 - (ii) the aggregate Fair Market Value of all assets sold, transferred or disposed of by all Guarantors since the Issue Date to a Person that is not the Issuer or a Guarantor (including the Fair Market Value of the assets which are the subject of the relevant transaction itself) does not exceed 10 per cent. of the Guarantors' combined assets as shown on their respective balance sheets as of 30 June 2017.
- (c) Each additional Guarantee will be limited as necessary to recognise certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.
- (d) Notwithstanding the foregoing, this Condition 5.12 shall not restrict dividends and Investments that are made in cash and otherwise made in compliance with the Trust Deed.

In these Conditions:

Acquired Debt means, with respect to any specified Person:

- (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

Affiliates of any specified Person means any other Persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **control** when used with respect to any Person means the power to direct or cause the direction of the management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **controlling**, **controlled** or under **common control** have meanings correlative to the foregoing.

Asset Sale means:

- (a) the sale, lease, conveyance or other disposition of any assets or rights; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Trust Deed described below in Condition 9.8 and/or the provisions described above in Condition 5.4 and not by the provisions of Condition 5.5; and

- (b) the sale by the Issuer or its Subsidiaries of Equity Interests in any of its Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any single transaction or series of related transactions that involves assets or Equity Interests of any Restricted Subsidiary having a Fair Market Value of less than EUR5.0 million;
- (ii) a transfer of assets or Equity Interests between or among the Issuer and its Restricted Subsidiaries;
- (iii) an issuance of Equity Interests by a Restricted Subsidiary of the Issuer to the Issuer or to a Restricted Subsidiary of the Issuer;
- (iv) the sale or lease of products, services, equipment, accounts receivable or other assets in the ordinary course of business;
- (v) any sale or other disposition of damaged, unserviceable, worn-out or obsolete assets in the ordinary course of business;
- (vi) the sale or other disposition of cash or Cash Equivalents in the ordinary course of business;
- (vii) for purposes of Condition 5.5 only, the making of a Permitted Investment or a Restricted Payment that does not violate Condition 5.1;
- (viii) granting of Liens not prohibited by the covenant described in Condition 6;
- (ix) the licensing or sublicensing of intellectual property and licenses, leases or subleases of other property in the ordinary course of business and which do not materially interfere with the business of the Issuer and its Restricted Subsidiaries taken as a whole;
- (x) a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind in the ordinary course of business;
- (xi) transactions permitted by Condition 5.4;
- (xii) sale or discounting of accounts receivable in the ordinary course of business, dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (xiii) foreclosure, condemnation or any similar action with respect to any property or other assets and any sale of assets received by the Issuer or any of its Restricted Subsidiaries upon the foreclosure of any Lien; or
- (xiv) unwinding of Hedging Obligations.

Board of Directors means:

- (a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;
- (b) with respect to a partnership, the board of directors of the general partner of the partnership;

- (c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (d) with respect to any other Person, the board or committee of such Person serving a similar function.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London and (in relation to any date for the payment or purchase of a currency other than euros) the principal financial centre of the country of that currency.

Capital Lease Obligation means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

Capital Stock means:

- (a) in the case of a corporation, corporate stock;
- (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and
- (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

Cash Equivalents means:

- (a) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union on 31 December 2003, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland or Canada, as the case may be, having maturities of not more than twelve months from the date of acquisition;
- (b) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than twelve months from the date of acquisition thereof issued by any commercial bank which is organised under, or authorised to operate as a commercial bank under, the laws of the United States of America the long term debt of which is rated at the time of acquisition thereof at least "A+" or the equivalent thereof by S&P, or "A-1" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognised rating agency, and having combined capital and surplus in excess of EUR500.0 million;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (i) and (ii) entered into with any financial institution meeting the qualifications specified in clause (ii) above;

- (d) commercial paper having at least one of the two highest ratings obtainable from S&P or Moody's, or carrying an equivalent rating by an internationally recognised rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (e) interests in any investment company or money market fund which invests 95 per cent. or more of its assets in instruments of the type specified in clauses (i) through (iv) above.

Consolidated EBITDA means, with respect to the Issuer for any period, EBITDA, as stated in the most recent Statement of Income delivered as a part of the financial statements most recently delivered, or where the Issuer for any period does not report EBITDA, EBITDA will be calculated as Earnings before financial expenses and taxes (EBIT) plus Depreciation and Amortisation, each as stated in the most recent Statement of Cashflows delivered as a part of the financial statements most recently delivered.

Consolidated Net Income means, with respect to any specified Person for any period, the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding (i) the net income (loss) of any Unrestricted Subsidiaries, (ii) any foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies, each, as set out in the relevant notes to the financial statements, and (iii) any foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary, each as set out in the relevant notes to the financial statements), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends.

Consolidated Net Leverage means as of any date of determination, the sum of the total amount of Indebtedness (excluding (i) Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes, (ii) for the avoidance of doubt, any other Indebtedness of the type specified in sub-paragraph (iv) of the definition of Permitted Debt and (iii) any debt of the Group owned by the Group which is not capable of being extinguished as a matter of law under applicable law), reflected on the consolidated balance sheet of the Issuer and its Restricted Subsidiaries as of such date (excluding the notes thereto), calculated on a consolidated basis on the basis of IFRS, less cash, Cash Equivalents and Restricted Cash of the Issuer and its Restricted Subsidiaries on a consolidated basis on the basis of IFRS (other than cash, Cash Equivalents or Restricted Cash which are the proceeds of Indebtedness incurred on the date of determination in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made).

Consolidated Net Leverage Ratio means as of any date of determination, the ratio of (a) the Consolidated Net Leverage of the Issuer on such date to (b) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the **Calculation Date**), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage

Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date (and, for the avoidance of doubt, not reclassified on such Calculation Date) pursuant to Condition 5.2(b) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in Condition 5.2(b).

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (i) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in the Permitted Business), or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date or that are to be made on the Calculation Date, will be given *pro forma* (including *Pro Forma* Cost Savings) effect as if they had occurred on the first day of the four-quarter reference period;
- (ii) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (iii) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and
- (iv) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

Notwithstanding anything else in the Trust Deed and/or these Conditions, in determining the Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of the incurrence of which the calculation of the Consolidated Net Leverage Ratio is to be made.

Credit Facilities means one or more debt facilities, instruments or arrangements or any revolving credit facility or commercial paper facilities, overdraft facilities, indentures or trust deeds, in each case with banks or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), inventory financing, letters of credit, bonds, notes, debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors or investors), including any agreement or indenture extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder, increasing the amount loaned or issued thereunder, altering the maturity thereof, adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder or otherwise altering the terms and conditions thereof.

Currency Exchange Protection Agreement means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

Default means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

Development Projects means projects for the construction of hydropower facilities in Turkey controlled by DK Holding Investments s.r.o.

Designated Non-Cash Consideration means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated in good faith as Designated Non-Cash Consideration pursuant to an Officer's Certificate by a responsible accounting or financial officer of the Issuer.

Disqualified Stock means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable; pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; provided, that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 5.1. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Trust Deed and/or these Conditions, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

Equity Interests means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

Existing Indebtedness means Indebtedness of the Issuer and its Restricted Subsidiaries in existence on the Issue Date after giving effect to the use of proceeds of the offering of the Notes on the Issue Date, until such amounts are repaid.

Fair Market Value means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Issuer.

Group means, collectively, the Issuer and its Restricted Subsidiaries.

Hedging Obligations means, with respect to any specified Person, the obligations of such Person under:

- (a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements, other agreements or arrangements designed to manage interest rates or interest rate risk;
- (b) any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates; and
- (c) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates, including Currency Exchange Protection Agreements.

IFRS means International Financial Reporting Standards.

Indebtedness means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

- (a) in respect of borrowed money;
- (b) evidenced by bonds, notes, debentures or similar instruments;
- (c) representing reimbursement obligations in respect of letters of credit, banker's acceptances or similar instruments (except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);
- (d) representing Capital Lease Obligations;
- (e) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;
- (f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends);
- (g) representing any Hedging Obligations;
- (h) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons; and
- (i) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person;

provided that the foregoing indebtedness (other than letters of credit and Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS.

The aggregate amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be equal to the total amount of funds borrowed and then outstanding.

The term **Indebtedness** shall not include:

- (a) any lease of property which would be considered an operating lease under IFRS;
- (b) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes;
- (c) in connection with the purchase by the Issuer or any Restricted Subsidiary of the Issuer of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that at the time of

closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

- (d) deposits or prepayments received by the Issuer or a Restricted Subsidiary for services or products to be provided or delivered.

Investment Grade Status shall occur when the Notes are rated “BBB-” or better by Fitch and “BBB-” or better by S&P (or, if either entity ceases to rate the Notes, the equivalent investment grade credit rating from any other Rating Agency).

Investments means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in Condition 5.1(d). The acquisition by the Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Condition 5.1(d). Except as otherwise provided in the Trust Deed, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value. The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

Issue Date means the date of original issuance of the Notes.

Lien means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof.

Listing Particulars means the offering circular prepared in connection with the Notes dated 2 May 2018.

Management Advances means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Issuer or any Restricted Subsidiary of the Issuer:

- (a) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (b) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

- (c) in the ordinary course of business and (in the case of this clause (iii)) not exceeding EUR1.0 million in the aggregate outstanding at any time.

Minority Interest means the percentage interest represented by any shares of stock of any class of Capital Stock of a Restricted Subsidiary of the Issuer that are not owned by the Issuer or a Restricted Subsidiary of the Issuer.

Net Proceeds means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or any Cash Equivalents received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation:

- (a) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale after taking into account any available tax credits or deductions and any tax sharing arrangements;
- (b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;
- (c) all distributions and other payments required to be made to holders of Minority Interests in Subsidiaries or joint ventures as a result of such Asset Sale; and
- (d) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Issuer or any Restricted Subsidiary of the Issuer after such Asset Sale.

Non-Guarantor Debt means the total amount of Indebtedness incurred by the Issuer's Restricted Subsidiaries that are not Guarantors under (a) Condition 5.2(a), 5.2(b)(vii) (to the extent a Restricted Subsidiary that is not a Guarantor guarantees Indebtedness of the Issuer or a Guarantor), 5.2(b)(xv) and 5.2(b)(xviii) and (b) any Permitted Refinancing Indebtedness in respect thereof or hereof.

Non-Recourse Debt means Indebtedness:

- (a) as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (b) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and
- (c) the explicit terms of which provide there is no recourse to the stock or assets of the Issuer or any of its Restricted Subsidiaries.

Obligations means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

Officer means, with respect to any Person, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Chief of Staff, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Managing Director, Director or any Vice-President of such Person.

Officers' Certificate means a certificate signed on behalf of any Person by an Officer.

Original Consolidated Net Leverage Ratio Test has the meaning set out in Condition 5.2(a)(i).

Pari Passu Indebtedness means (1) any Indebtedness of the Issuer that is pari passu in right of payment to the Notes and (2) with respect to any Guarantee, Indebtedness that ranks pari passu in right of payment to such Guarantee.

Parent Entity means any direct or indirect parent company or entity of the Issuer.

Permitted Business means (1) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Issuer or any of its Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

Permitted Holders means (1) DK Holding Investments s.r.o. and (2) any entity controlled (whether directly or indirectly) by DK Holding Investments s.r.o. whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise, and in the case of each of (1) and (2) (acting in concert with any other Permitted Holder involved in the relevant transaction), which has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of the Issuer.

Permitted Investments means:

- (a) any Investment in the Issuer or in a Restricted Subsidiary of the Issuer;
- (b) any Investment in cash and Cash Equivalents;
- (c) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in any Person if as a result of such Investment:
 - (i) such Person becomes a Restricted Subsidiary of the Issuer; or
 - (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;
- (d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described in Condition 5.5;
- (e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;
- (f) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

- (g) Investments represented by Hedging Obligations, which obligations are permitted by Condition 5.2(b)(vi);
- (h) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;
- (i) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;
- (j) guarantees of Indebtedness, keepwells and similar arrangements permitted under Condition 5.2;
- (k) Investments of a Restricted Subsidiary of the Issuer acquired after the Issue Date or of any entity merged into the Issuer or merged into or consolidated or amalgamated with a Restricted Subsidiary of the Issuer in accordance with Condition 5.4 to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;
- (l) Investments received as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment in default;
- (m) any Investment existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; provided that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Trust Deed;
- (n) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer;
- (o) Management Advances;
- (p) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (q) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property, in each case in the ordinary course of business;
- (r) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary of the Issuer; and
- (s) other bona fide Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (s) that are outstanding not to exceed EUR10.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); provided that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a

Restricted Subsidiary pursuant to Condition 5.1, such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (c) of this definition of “Permitted Investments” and not this clause (s),

provided, however, that with respect to any Investment, the Issuer may, in its sole discretion, allocate all or any portion of any Investment to one or more of the above clauses (a) through (s) so that the entire Investment would be a Permitted Investment.

Permitted Liens means:

- (a) Liens in favour of the Issuer or any Restricted Subsidiary of the Issuer;
- (b) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated or amalgamated with the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Issuer or such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Issuer or is merged into or consolidated or amalgamated with the Issuer or such Restricted Subsidiary;
- (c) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of such acquisition;
- (d) Liens existing on the Issue Date;
- (e) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (f) survey exceptions, easements or reservations of, or rights of others for, licenses, rights of way, sewers, pipe lines, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (g) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or its Restricted Subsidiaries relating to such property or assets;
- (h) Liens in favour of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;
- (i) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (j) Liens created for the benefit of (or to secure) the Notes (or the Guarantees);
- (k) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Trust Deed and/or these Conditions; *provided, however*, that:

- (i) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); *provided* however that where a Lien consists of security over receivables, the new Lien may be established over receivables with a value equivalent to that of the receivables which were subject to the original Lien prior to the Permitted Refinancing Indebtedness; and
 - (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (l) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depository institution;
- (m) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (n) any (a) interest or title of a lessor or sublessor under any lease and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, carriers' liens, warehousemen's liens, bankers' liens, repairmen's liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding clause (b);
- (o) Liens arising under the Trust Deed in favour of the Trustee for its own benefit and similar Liens in favour of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the Trust Deed, provided, however, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;
- (p) Liens securing Hedging Obligations, which obligations are permitted by Condition 5.2(b)(vi);
- (q) Liens upon specific items of inventory, receivables or other goods (or the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or receivables securitisations issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory, receivables or other goods (or the proceeds thereof);
- (r) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;
- (s) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary (including those arising from progress or partial payments by a third party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

- (t) (i) Liens (including put and call arrangements) on Capital Stock, or other securities of an Unrestricted Subsidiary or joint venture that secure (1) Indebtedness or other obligations of such Unrestricted Subsidiary or joint venture, or (2) guarantees in respect thereof, the incurrence of which is permitted under Condition 5.2 and (ii) Liens over the assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of a Restricted Subsidiary that is not a Guarantor;
- (u) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (v) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries of the Issuer securing obligations of such joint ventures;
- (w) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Trust Deed and/or these Conditions and securing that Indebtedness;
- (x) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary of the Issuer securing any loan to finance the acquisition of such assets;
- (y) Liens over treasury stock of the Issuer or a Restricted Subsidiary of the Issuer purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (z) Liens to secure Indebtedness permitted by Condition 5.2(b)(xvii) covering only the assets acquired with or financed by such Indebtedness;
- (aa) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other assets relating to such letters of credit and products and proceeds thereof;
- (bb) Liens on escrowed proceeds for the benefit of related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (cc) Liens in favour of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (dd) the following ordinary course items:
 - (i) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Issuer and its Restricted Subsidiaries, taken as a whole;

- (ii) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;
- (iii) pledges or deposits made in the ordinary course of business (A) in connection with leases, tenders, bids, statutory or regulatory obligations, surety, appeal or indemnity bonds, government contracts, performance bonds and similar obligations warranty, contractual, netting or set-off requirements, or (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit issued to assure payment of such obligations);
- (iv) Liens arising from Uniform Commercial Code financing statement filings under U.S. state law (or similar filings under applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (v) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;
- (vi) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (vii) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (viii) Liens arising in the ordinary course of business in connection with the provision to the Issuer or any Restricted Subsidiary of clearing bank facilities, overdraft facilities or cash pooling arrangements permitted under the Trust Deed;
- (ee) Liens incurred by the Issuer or any Restricted Subsidiary of the Issuer with respect to Indebtedness at any one time outstanding that does not exceed EUR70.0 million less the aggregate principal amount of Non-Guarantor Debt at any time outstanding (except, to avoid duplication, to the extent such Non-Guarantor Debt is secured by a Lien incurred pursuant to this clause (ff)); and
- (ff) Liens to secure Indebtedness permitted by Condition 5.2(b)(xvi).

Permitted Parent Payments means the declaration and payment of dividends or other distributions, or the making of loans, by the Issuer or any of its Restricted Subsidiaries to any Parent Entity, or the payment by the Issuer or any of its Restricted Subsidiaries in amounts on behalf of any Parent Entity, in amounts and at times required to pay:

- (a) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreement with any such Person to the extent relating to the Issuer and its Subsidiaries;
- (b) general corporate overhead expenses consisting of professional fees, customary franchise fees and other fees, taxes and expenses of the Parent Entity related to the, direct or indirect, corporate ownership of the Capital Stock of the Issuer and its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent Entity's corporate existence or its holding of the Capital Stock of the Issuer);

- (c) obligations of any Parent Entity in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefor)) to the extent relating to the Issuer and its Subsidiaries;
- (d) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Trust Deed or any other agreement or instrument relating to Indebtedness of the Issuer or any of its Restricted Subsidiaries;
- (e) fees and expenses of any Parent Entity incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (whether or not completed) (i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or any of its Restricted Subsidiaries; (ii) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (iii) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity will cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (f) other amounts of the Parent Entity related to the direct or indirect corporate ownership of the Capital Stock of the Issuer and its Subsidiaries that do not exceed EUR50,000 per calendar year; and
- (g) for so long as the Issuer or any of its Restricted Subsidiaries is a member of a group for tax purposes with any Parent Entity, payments to that Parent Entity in respect of an allocable portion of the tax liabilities of such group that is attributable to the Issuer or the relevant Restricted Subsidiary (**Tax Payments**); provided that the Tax Payments shall not exceed the lesser of (a) the amount of the relevant tax (including any penalties and interest) that the Issuer or the relevant Restricted Subsidiaries would owe if they were not part of a group for tax purposes, taking into account any carryovers and carrybacks of tax attributes (such as net operating losses) of the Issuer and such Restricted Subsidiary from other taxable years and (b) the net amount of relevant tax that any Parent Entity actually owes to the appropriate taxing authority.

Permitted Refinancing Indebtedness means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (for the avoidance of doubt, including Indebtedness re-drawn to replace other Indebtedness) (other than intercompany Indebtedness); provided that:

- (a) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (b) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) later than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

- (c) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes or the Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes or the Guarantees, as the case may be, on terms at least as favourable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and
- (d) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or by a Guarantor.

Permitted Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be incurred from time to time at or after the termination, discharge or repayment of any such Credit Facility or other Indebtedness; *provided* that it is used to refinance or replace amounts thereunder within 120 days of the relevant termination, disclosure or repayment date.

Person means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

Pro Forma Cost Savings means, without duplication, with respect to any period, reductions in costs and related adjustments that have been actually realised or are projected by the Issuer's chief financial officer in good faith to result from reasonably identifiable and factually supportable actions or events, but only if such reductions in costs and related adjustments are so projected by the Issuer to be realised during the consecutive four-quarter period commencing after the transaction giving rise to such calculation.

Public Debt means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering or (b) a private placement to institutional investors whether or not it is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act and whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

Restricted Cash means cash and Cash Equivalents which are listed as "Restricted cash" in footnote 14 in the explanatory notes for the consolidated statement of financial condition of the Issuer and its Restricted Subsidiaries for the financial year ended 31 December 2016 (or equivalent footnote or balance sheet item, as may these be amended or included in the consolidated financials of the Issuer and its Restricted Subsidiaries for the subsequent financial years) (for the avoidance of doubt, cash and Cash Equivalents charged, pledged, or otherwise earmarked to secure Indebtedness of the Issuer or any Restricted Subsidiary shall be deemed to be Restricted Cash).

Restricted Investment means an Investment other than a Permitted Investment.

Restricted Subsidiary of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

Securities Act means the U.S. Securities Act of 1933, as amended.

Significant Subsidiary means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (a) for the most recent financial year, accounted for more than 10 per cent. of the Consolidated EBITDA of the Issuer or (b) as of the end of the most recent financial year, was the owner of more than 10 per cent. of Total Assets.

Stated Maturity means, with respect to any instalment of interest or principal on any Indebtedness, the date on which the payment of interest or principal was scheduled to be paid (whether or not the borrower has a right to defer payment) in the documentation governing such Indebtedness as of the date of original incurrence of the relevant Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

Subordinated Obligation means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the relevant Guarantee pursuant to a written agreement, as the case may be.

Subsidiary means, with respect to any specified Person:

- (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar) of which more than 50 per cent. of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (b) any partnership, joint venture, limited liability company or similar entity of which (a) more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

Subsidiary Shareholder Debt has the meaning given to it in Section 9.4.

Total Assets means the consolidated total assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent consolidated balance sheet of the Issuer.

U.S. Exchange Act means the U.S. Exchange Act of 1934, as amended.

Unrestricted Subsidiary means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

- (a) has no Indebtedness other than Non-Recourse Debt;
- (b) except as permitted by the covenant described above in Condition 5.8, is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and
- (c) is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to

maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Weighted Average Life to Maturity means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (b) the then outstanding principal amount of such Indebtedness.

6. NEGATIVE PLEDGE

6.1 Negative Pledge

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except (a) Permitted Liens or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Trust Deed, the Notes and the Guarantees are secured on an equal and ratable basis with the obligations so secured (and if such obligations so secured are subordinated or junior in right of payment to either the Notes or any Guarantee, as the case may be, then the Liens securing such Indebtedness shall be subordinate or junior in priority to the Lien securing the Notes or such Guarantee at least to the same extent as such Indebtedness is subordinate or junior to the Notes or such Guarantee, as the case may be), until such time as such obligations are no longer secured by a Lien.

Any such Lien thereby created in favour of the Noteholders pursuant to the preceding paragraph will be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien to which it relates.

7. INTEREST

7.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 4 May 2018 at the rate of 4.50 per cent. per annum, payable annually in arrear on 4 May (each an **Interest Payment Date**). The first payment (representing a full year's interest) and amounting to EUR45.00 per EUR1,000 principal amount of Notes shall be made on 4 May 2019.

7.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

7.3 Calculation of Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 4.50 per cent. per annum to each EUR1,000 principal amount of Notes (the **Calculation Amount**) and on the basis of (a) the actual number of days in the period from

and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure(s) shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

8. PAYMENTS

8.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by euro cheque drawn on a bank that processes payments in euro mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and premium (if any) and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Noteholder's **registered account** means the euro account maintained by or on behalf of it with a bank that processes payments in euro, details of which appear on the register of Noteholders at the close of business, in the case of principal and premium (if any), on the second business day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

8.2 Payments subject to applicable laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10.

8.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

8.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal and premium (if any) or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition **Business Day** means a day on which the TARGET2 System is open and, in the case of presentation of a Certificate, a day on which commercial banks and foreign exchange markets settle

payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the Certificate is presented.

8.5 Partial Payments

If the amount of principal, premium (if any) or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium (if any) or interest in fact paid.

8.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantors reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be:
 - (i) a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or any of the Guarantors is incorporated;
 - (ii) a Registrar; and
 - (iii) a Transfer Agent.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

9. REDEMPTION AND PURCHASE

9.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 4 May 2024.

9.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 2 May 2018, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 10 or (ii) a Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the relevant Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the relevant Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

9.3 Redemption at the Option of the Issuer (Makewhole)

At any time prior to 4 May 2021, the Issuer may on any one or more occasions, upon not less than 15 nor more than 30 days' notice, redeem all or a part of the Notes at a redemption price equal to 100 per cent. of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Applicable Premium means, with respect to any Note on any redemption date, the greater of:

- (a) 1.0 per cent. of the principal amount of such Note; or
- (b) the excess of:
 - (i) the present value at such redemption date of (i) the redemption price of such Note at 4 May 2021 (such redemption price being set forth in the table appearing under Condition 9.5), *plus* (ii) all required interest payments due on such Note to 4 May 2021 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points; over
 - (ii) the principal amount of the Note.

Bund Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (a) **Comparable German Bund Issue** means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to 4 May 2021 and that would be utilised at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to 4 May 2021; *provided, however*, that, if the period from such redemption date to 4 May 2021 is not equal to the fixed maturity of the German *Bundesanleihe* security selected by such Reference German

Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German *Bundesanleihe* securities for which such yields are given, except that if the period from such redemption date to 4 May 2021 is less than one year, a fixed maturity of one year shall be used;

- (b) **Comparable German Bund Price** means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (c) **Reference German Bund Dealer** means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and
- (d) **Reference German Bund Dealer Quotations** means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

9.4 Redemption at the Option of the Issuer (Equity Offering)

At any time prior to 4 May 2021, the Issuer may on any one or more occasions, upon not less than 10 nor more than 60 days' notice, redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 104.50 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, with the net cash proceeds of an Equity Offering to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer or as Subordinated Shareholder Debt; *provided that*:

- (a) at least 60 per cent. of the aggregate principal amount of the Notes originally issued (excluding the Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (b) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Except pursuant to Conditions 9.3 and 9.4, the Notes will not be redeemable at the Issuer's option prior to 4 May 2021.

In these Conditions:

Equity Offering means a sale of Capital Stock (other than to the Issuer or any of its Subsidiaries) (a) that is a sale of Capital Stock of the Issuer or any Parent Entity (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar

offering in other jurisdictions, or (b) the proceeds of which are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or any of its Restricted Subsidiaries.

Subordinated Shareholder Debt means, collectively, any debt provided to the Issuer by any direct or indirect parent of the Issuer or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

- (a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);
- (b) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the Stated Maturity of the Notes;
- (c) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes;
- (d) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;
- (e) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding-up or other disposition of assets of the Issuer at least to the same extent as the Subordinated Obligations are subordinated to the Notes and the relevant lenders have acceded to a written agreement as subordinated creditors;
- (f) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes;
- (g) does not (including upon the happening of an event) constitute Voting Stock; and
- (h) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer,

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

Voting Stock of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

9.5 Redemption at the Option of the Issuer (Premium)

On or after 4 May 2021, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and additional amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on 4 May of the years indicated below:

Date	Redemption Price (%)
2021.....	102.25
2022.....	101.125
2023.....	100

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

9.6 Redemption at the Option of the Issuer (Certain Tender Offers and Other Offers to Purchase)

In connection with any tender offer for, or other offer to purchase, the Notes, if holders of not less than 85 per cent. of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer, or other offer to purchase, and the Issuer, or any third party making such tender offer, or other offer to purchase, in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' notice to the holders of the Notes following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer or other offer to purchase, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

9.7 Provisions relating to Partial Redemption

If less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Notes are listed or, if such Notes are not then listed or there are no such applicable rules, on a *pro rata* basis and in such manner as the Trustee may deem appropriate and fair, provided that no Notes shall be redeemed in part. Where some but not all of the Notes in respect of which a Certificate is issued are to be redeemed, the notice of redemption that relates to such Certificate shall state the portion of the principal amount of the Notes to be redeemed, and where applicable, a new Certificate in a principal amount equal to the unredeemed Notes will be issued in the name of the Noteholder thereof upon cancellation of the original Certificate. Any such new Certificate will be delivered to the specified office of an Agent or (at the risk and, if mailed at the request of the Noteholders otherwise than by ordinary uninsured mail, at the expense of the Noteholder) sent by mail to the Noteholder.

9.8 Redemption at the Option of the Noteholders upon a Change of Control

If a Change of Control Put Event occurs, the Issuer will, upon any Noteholder giving to the Issuer through an Agent notice within the Change of Control Put Period (unless prior to the giving of such notice the Issuer has given notice of redemption under Condition 9.2), redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date at 101 per cent. of their principal amount (the **Change of Control Redemption Amount**) together with interest accrued to but excluding the date of redemption.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 15 (a **Change of Control Notice**) specifying the nature of the relevant Change of Control Put Event, the circumstances giving rise to it and the procedure for Noteholders to exercise their rights to require redemption of any Notes pursuant to this Condition 9.8.

To exercise such right, any holder of the Notes must deliver at the specified office of any Agent on any Business Day falling within the Change of Control Put Period, a duly signed and completed notice of exercise in the form obtainable from any specified office of any Agent (a **Change of Control Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by the Certificate for such Notes or evidence satisfactory to the Agent concerned that the Certificate for such Notes will, following the delivery of the Change of Control Put Notice, be held to its order or under its control. A Change of Control Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Notice and instead direct the Trustee to give notice that the Notes are immediately due and repayable under Condition 12.

For the purposes of this Condition 9.8:

Change of Control means the occurrence of either of the following:

- (a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, in each case, taken as a whole to any "person" (as that term is used in Section 13(d) of the U.S. Exchange Act) other than one or more Permitted Holders; or
- (b) Mr. Jaromír Tesař ceases to own, directly or indirectly, at least 50.1 per cent. of (i) the issued share capital of the Issuer or (ii) the voting rights of the Issuer or otherwise ceases to control, directly or indirectly, the Issuer. For the purposes of this definition, Mr. Jaromír Tesař will be deemed to control the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) he has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of the Issuer.

Change of Control Period means the period commencing on the Relevant Announcement Date and ending 60 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 60 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a **Change of Control Put Event** will be deemed to occur if a Change of Control occurs and on the Relevant Announcement Date the Notes have:

- (a) been assigned at the invitation of the Issuer:
 - (i) an investment grade rating by any Rating Agency and, within the Change of Control Period, that credit rating is either downgraded to a non-investment grade rating or such Rating Agency ceases to assign a credit rating to the Notes and, in each case, does not subsequently upgrade its credit rating assigned to the Notes to an investment grade rating or re-assign an investment grade rating to the Notes by the end of the Change of Control Period; or

- (ii) a non-investment grade rating by one or more Rating Agency and, within the Change of Control Period, at least one credit rating is either downgraded by one or more categories (by way of example, BB+ to BB being one rating category) or one Rating Agency ceases to assign a credit rating to the Notes and, in each case, does not subsequently upgrade its credit rating assigned to the Notes to, or reassign a credit rating to the Notes of, the category assigned to the Notes on the Relevant Announcement Date or better by the end of the Change of Control Period,

provided that if on the Relevant Announcement Date the Notes have been assigned at the invitation of the Issuer a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then paragraph (i) only will apply; or

- (b) not been assigned a credit rating by any Rating Agency at the invitation of the Issuer and a Negative Rating Event also occurs within the Change of Control Period;

Change of Control Put Period means the period of 60 days following the date on which a Change of Control Notice is given;

Change of Control Redemption Date means the fifth Business Day following the expiry of the Change of Control Put Period;

an **investment grade rating** shall mean, in relation to S&P, a rating of BBB- or above, in relation to Moody's, a rating of Baa3 or above, in relation to Fitch, a rating of BBB- or above and, in the case of any other Rating Agency, a comparable rating from that Rating Agency;

a **Negative Rating Event** shall be deemed to have occurred at any time if at such time there is no credit rating assigned to the Notes by any Rating Agency at the invitation of the Issuer and (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a credit rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a credit rating that is an investment grade rating by the end of the Change of Control Period;

a **non-investment grade rating** shall mean, in relation to S&P, a rating of BB+ or below, in relation to Moody's, a rating of Ba1 or below, in relation to Fitch, a rating of BB+ or below and, in the case of any other Rating Agency, a comparable rating from that Rating Agency;

Rating Agency means Standard & Poor's Credit Market Services Europe Limited (**S&P**), Fitch Ratings Limited (**Fitch**) or Moody's Investors Service Limited (**Moody's**), or any of their respective successors, or any other rating agency of international standing;

Relevant Announcement Date means the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any); and

Relevant Potential Change of Control Announcement means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

9.9 Purchases

The Issuer, the Guarantors or any of their respective Subsidiaries (as defined above) may at any time purchase Notes in any manner and at any price.

9.10 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantors or any of their respective Subsidiaries will forthwith be cancelled, and accordingly may not be reissued or resold.

9.11 Notices Final

Upon the expiry of any notice as is referred to in paragraph 9.2, 9.3, 9.4, 9.5, 9.6 or 9.8 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

10. TAXATION

10.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantors shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantors will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Notes; or
- (b) presented for payment in the Czech Republic, Georgia, the Republic of Turkey or the Republic of Bulgaria; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 8).

10.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 15; and
- (b) **Relevant Jurisdiction** means (i) the Czech Republic, Georgia, the Republic of Turkey and the Republic of Bulgaria or any political subdivision or any authority thereof or therein having power to tax; or (ii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments of principal and interest made on the Notes or payments made under the Guarantee become generally subject to tax.

10.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

11. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 10.

12. EVENTS OF DEFAULT

12.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (e) (other than the winding up or dissolution of the Issuer or any of the Guarantors) and (f) to (h) inclusive and (j) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantors that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 30 days in the case of interest; or
- (b) if the Issuer or any of the Guarantors fails to perform or observe any of its other obligations under clause 5.4 of these Conditions; or
- (c) if the Issuer or any of the Guarantors fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and the failure continues for a period of 60 days following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (d) if (i) any Indebtedness of the Issuer, the Guarantors or any of the Restricted Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described) and has been accelerated prior to its Stated Maturity; (ii) the Issuer, any of the Guarantors or any of the Restricted Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment after the expiration of the grace period provided in such Indebtedness upon the Stated Maturity of such Indebtedness; (iii) any security given by the Issuer, any of the Guarantors or any of the Restricted Subsidiaries for any Indebtedness becomes enforceable; or (iv) default is made by the Issuer, any of the Guarantors or any of the Restricted Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person after the expiration of the grace period provided in such guarantee and/or indemnity, in each case, the principal amount of any such Indebtedness that is due and has not been paid or which has been accelerated, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates EUR10.0 million or more; or

- (e) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, any of the Guarantors or any Restricted Subsidiary that is a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) if the Issuer or any of the Guarantors ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer, any of the Guarantors or any of the Restricted Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (i) the Issuer becomes or is declared insolvent, or (ii) the Issuer becomes obliged to file for insolvency, or (iii) an insolvency filing in respect of the Issuer is dismissed by the competent court for lack of the Issuer's assets, or (iv) any other action is taken in respect of, or in connection with, the commencement of insolvency proceedings (including for the purposes of the appointment of a preliminary administrator), dissolution, liquidation, administration, reorganisation, moratorium, interim injunction, court or other involuntary enforcement or public auction proceedings, or any similar measure or action, in each case against or in relation to the Issuer, any of the Guarantors or any Restricted Subsidiary that is a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or the whole or a substantial part of the undertaking or assets of any of them and under applicable laws, or (v) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, any of the Guarantors or any Restricted Subsidiary that is a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them and under applicable laws, *provided however*, that this paragraph shall not apply to (i) any winding-up, insolvency petition or any other action which is frivolous or vexatious or is discharged, stayed or dismissed within 30 days of commencement, and (ii) any step or procedure in connection with the solvent liquidation or reorganisation of any member of the Group which is not the Issuer or a Significant Subsidiary so long as any payments or assets distributed as a result of such liquidation or reorganisation are distributed to other members of the Group; or
- (h) if the Issuer, any of the Guarantors or any Restricted Subsidiary that is a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (i) if the Guarantee ceases to be, or is claimed by the Issuer or any of the Guarantors not to be, in full force and effect and such Default continues for 10 days; or

- (j) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (e) to (i).

13. ENFORCEMENT

13.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantors as it may think fit to enforce the provisions of the Trust Deed and the Notes or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

13.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

13.3 Enforcement by the Noteholders

No Noteholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantors to enforce the performance of any of the provisions of the Trust Deed or the Notes or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantors, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

14. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. NOTICES

15.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the holders (or the first of any joint named holders) at their respective addresses in the register of Noteholders maintained by the Registrar. If and for so long as the Notes are admitted to trading on, and listed on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) and the listing rules of Euronext Dublin so require, all notices to Noteholders shall be deemed to be duly given if they are filed with the Companies Announcement Office of Euronext Dublin. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given

on the fourth day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

15.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Certificate, with the Registrar or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

16.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of the Guarantee or certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

16.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders), or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

16.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any

interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

16.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

17. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTORS

17.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantors and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

17.2 Trustee Contracting with the Issuer and the Guarantors

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or the Guarantors and/or any of the Issuer's or Guarantors' other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantors and/or any of the Issuer's or Guarantors' other Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single

meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed (including the Guarantee) and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed (including the Guarantee) and the Notes are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

- (a) Subject to Condition 19.2(c) below, the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Notes including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes (a **Dispute**) and, each of the Issuer, the Trustee and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the High Court of Justice of England and Wales (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).
- (b) For the purposes of this Condition, the Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee and the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the High Court of Justice of England and Wales (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

19.4 Other Documents and the Guarantors

Each of the Issuer and, where applicable, the Guarantors has in the Agency Agreement and the Trust Deed submitted to the exclusive jurisdiction of the High Court of Justice of England and Wales (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent in England for service of process, in terms substantially similar to those set out above.

20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes in respect of which it is issued whilst they are evidenced by the Global Certificate (including definitions which are not otherwise included in these summary provisions), some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 8 below.

1. Accountholders

For so long as any of the Notes are evidenced by the Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of the Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the outstanding principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) (the "**Accountholder's Holding**") for all purposes other than with respect to payments on such Notes, for which purpose the registered holder (the "**Registered Holder**"), shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder.

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer, the Guarantors or any of their respective Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

For so long as the Registered Holder is shown in the Register as the holder of the Notes evidenced by the Global Certificate, the Registered Holder shall (subject as set out above under 'Accountholders') in all respects be entitled to the benefit of such Notes and shall be entitled to the benefit of the Agency Agreement. Payments of all amounts payable under the Conditions in respect of the Notes as evidenced by the Global Certificate will be made to the Registered Holder pursuant to the Conditions.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Upon any payment of any amount payable under the Conditions the amount so paid shall be entered by the Registrar on the register, which entry shall constitute *prima facie* evidence that the payment has been made.

For the purposes of Condition 8.1 (*Payments in respect of Notes*), so long as the Notes as evidenced by the Global Certificate are held on behalf of Euroclear and/or Clearstream, Luxembourg, the record date in respect of the Notes shall be the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

4. Interest Calculation

For so long as Notes are evidenced by the Global Certificate, interest payable to the Registered Holder will be calculated by applying the rate of 4.50 per cent. per annum to the outstanding principal amount of the Notes evidenced by the Global Certificate and on the basis of (a) the actual number of days in the period from and including the date from the Accrual Date to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the

next following Interest Payment Date. The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

5. Notices

So long as the Notes are evidenced by the Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 15 (*Notices*) except that, so long as the Notes are admitted to trading on, and listed on the official list of Euronext Dublin, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes are evidenced by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Trustee and the applicable clearing system may approve for this purpose.

6. Partial Redemption

In the event that less than all the Notes are redeemed, selection of such Notes or portions thereof for redemption will be made only in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). The Global Certificate will be written down to reflect the partial redemption.

7. Exchange and Registration of Title

The Global Certificate will be exchangeable (free of charge to the holder) in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An Exchange Event means that:

- (a) the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) an Event of Default (as defined in Condition 12 (*Events of Default*)) has occurred and is continuing; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes evidenced by the Global Certificate in definitive form.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any Accountholder may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Exchanges will be made upon presentation of the Global Certificate at the office of the Registrar by or on behalf of the Registered Holder on any day on which banks are open for general business in Germany and will be effected by the Registrar (a) entering each Accountholder in the Register as the registered holder of the principal amount of Notes equal to such Accountholder's Holding (as defined below) and (b) completing, authenticating and dispatching to each Accountholder a Certificate evidencing such Accountholder's Holding. The aggregate principal amount of the Notes evidenced by Certificates issued upon an exchange of the Global Certificate will be equal to the aggregate outstanding principal amount of the Notes evidenced by the Global Certificate.

The Registrar will not register title to the Notes in a name other than that of a nominee for the common depositary for a period of fifteen calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

8. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and/or Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and their respective direct and indirect participants.

USE OF PROCEEDS

The proceeds from the issue of the Notes will be used by the Group:

- for the repayment of existing Group indebtedness amounting to approximately EUR232 million;
- for the payment of fees and expenses related to the issue of the Notes and of breakage costs and other early redemption related expenses with respect to the Group indebtedness being repaid; and
- for general corporate purposes.

SELECTED FINANCIAL INFORMATION

The following tables present selected historical consolidated financial and other data of the Group as at and for the years ended 31 December 2015 and 2016, as well as at and for the six month periods ended 30 June 2016 and 30 June 2017. The following tables should be read in conjunction with the Financial Statements (including the notes thereto) included in these Listing Particulars and the other relevant information included in these Listing Particulars, including the section entitled "Presentation of Financial Information".

Consolidated statement of comprehensive income

(EUR'000)	Year ended 31 December 2015 (restated)	Year ended 31 December 2016	Six months ended 30 June 2016	Six months ended 30 June 2017
Revenue				
Sales of electricity in local markets	578,155	603,716	312,559	291,966
Cross border sales of electricity.....	14,988	18,805	9,251	19,354
Grid components of electricity sales price.....	137,381	166,546	79,362	89,556
Services and other	22,101	27,946	12,094	12,111
Total revenue	752,625	817,013	413,266	412,987
Other income.....	5,526	7,422	3,893	2,112
Changes in inventories of finished goods and work in progress.....	-	-	-	(5)
Purchased power	(446,125)	(437,528)	(226,812)	(252,750)
Service expenses	(101,066)	(133,342)	(64,613)	(70,004)
Labour costs.....	(57,990)	(60,247)	(29,525)	(32,114)
Material expenses.....	(7,353)	(5,107)	(2,056)	(2,795)
Tax expenses	(6,765)	(4,148)	(1,886)	(2,440)
Other operating expenses	(20,076)	(20,424)	(4,091)	(6,966)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)	118,776	163,639	88,196	48,025
Depreciation and amortisation expense	(52,394)	(47,959)	(23,945)	(22,430)
Earnings before financial expenses and taxes (EBIT).....	66,382	115,680	64,251	25,595
Finance income	3,041	3,548	10,314	16,644
Finance costs	(68,617)	(67,188)	(33,469)	(29,815)
Finance costs – net	(65,576)	(63,640)	(23,155)	(13,171)
Income before income tax (EBT)	806	52,040	41,096	12,424
Income tax.....	(5,400)	(12,322)	(8,109)	(1,336)
Deferred taxes	2,935	19,394	25,540	284
Total income tax expense	(2,465)	7,072	17,431	(1,052)
Profit/(loss) for the year	(1,659)	59,112	58,527	11,372
Profit/(loss) attributable to:				
- Owners of the company	(2,302)	57,761	57,934	10,635
- Non-controlling interest	643	1,351	593	737
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Currency translation differences.....	(33,482)	(15,256)	1,753	(292)
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial loss				
Gross amount.....	(124)	(86)	-	-
Tax effect	-	-	-	-
Net amount	(124)	(86)	-	-
Other comprehensive income/(loss)	(33,606)	(15,342)	1,753	(292)
Total comprehensive income/(loss).....	(35,265)	43,770	60,280	11,080
Total comprehensive income attributable to:				
- Owners of the company.....	(35,899)	42,419	59,687	10,343
- Non-controlling interest	634	1,350	593	737

Consolidated statement of financial position

(EUR'000)	31 December 2015 (restated)	31 December 2016	30 June 2017
ASSETS			
Non-current assets			
Property, plant and equipment.....	519,173	472,448	469,704
Prepayments for property, plant and equipment	3	3	109
Goodwill	76,508	72,069	71,340
Other intangible assets	108,965	73,308	68,189
Non-current financial assets	28,256	29,263	5,401
Deferred tax assets	1,247	984	1,153
Non-current portion of issued loans	-	132	848
Other non-current assets	116	523	2,085
Total non-current assets	734,268	648,730	618,829
Current assets			
Inventories	8,086	7,677	11,411
Trade and other receivables.....	103,683	138,861	97,656
Current income tax asset	3,919	4,422	5,697
Current portion of issued loans.....	22,275	24,902	53,849
Cash and cash equivalents.....	43,567	82,306	43,368
Other current assets	11,902	8,669	35,711
Total current assets	193,432	266,837	247,692
TOTAL ASSETS.....	927,700	915,567	866,521
EQUITY			
Authorised share capital	3,569	3,569	3,569
Translation reserve	(22,145)	(37,444)	(37,772)
Retained earnings	199,923	258,236	268,941
Equity attributable to the company's owners	181,347	224,361	234,738
Non-controlling interest.....	13,464	13,210	12,965
TOTAL EQUITY.....	194,811	237,571	247,703
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities.....	32,528	8,201	6,428
Provisions.....	10,792	9,678	9,736
Borrowings.....	399,917	368,296	339,205
Non-current financial liabilities.....	5,630	214	172
Other non-current liabilities	24,690	23,499	22,321
Total non-current liabilities	473,557	409,888	377,772
Current liabilities			
Provisions.....	36,490	25,214	17,023
Trade and other payables.....	69,784	77,043	64,292
Income tax payable	598	4,295	1,840
Borrowings.....	132,789	140,504	132,626
Other current liabilities.....	19,671	21,052	25,265
Total current liabilities	259,332	268,108	241,046
Total liabilities	732,889	677,996	618,818
TOTAL LIABILITIES AND EQUITY	927,700	915,567	866,521

Consolidated statement of cashflows

(EUR'000)	31 December 2015 (restated)	31 December 2016	30 June 2016	30 June 2017
Profit/(loss) before income tax.....	806	52,040	41,096	12,424
Adjusted for:				
Depreciation and amortization expense.....	52,394	51,695	23,945	22,430
Interest income.....	-	-	(1,093)	(1,951)
Interest expense.....	-	-	24,650	15,641
Finance income.....	(2,229)	(2,452)	-	-
Finance expense.....	28,517	26,939	-	-
Changes in provisions and impairment.....	9,674	(8,397)	(5,497)	(5,607)
Assets granted free of charge.....	(1,006)	(834)	(482)	(37)
Inventory surplus.....	(490)	(1,174)	(593)	(840)
(Gain)/Loss on disposal of property, plant and equipment.....	(164)	4,858	6	1,461
Inventory obsolescence expense.....	182	153	63	150
Other changes - difference in rate of exchange etc.	42,101	31,448	(503)	(3,340)
Cash inflow from operating activities before changes in operating ... assets and liabilities	129,785	154,276	81,592	40,331
Movements in working capital				
Decrease/(increase) in inventories.....	(813)	1,430	717	(3,044)
Decrease/(increase) in trade accounts receivable.....	12,908	(16,978)	9,405	10,161
(Increase)/decrease in other current assets.....	5,228	2,105	(5,479)	-
Increase/(decrease) in trade and other payables.....	(14,615)	8,869	(15,968)	(12,745)
Increase/(decrease) in other liabilities.....	411	2,655	(1,038)	2,903
Cash outflow from operating activities before interest income received,	132,904	152,357	69,229	37,606
interest expense paid and income tax paid				
Interest received.....	1,675	1,957	1,276	948
Income tax paid.....	(5,860)	(6,083)	(847)	(6,544)
Net cash (outflow)/inflow from operating activities	128,719	148,231	69,658	32,010
Cash flows from investing activities				
Acquisition of subsidiaries, net cash of entities acquired, Disposal of subsidiaries, net of cash of entities disposed	-	13,172	-	(27,932)
Purchases of property, plant and equipment and intangible assets.....	(34,665)	(36,777)	(37,991)	(21,291)
Proceeds from sale of property plant and equipment.....	120	1,965	38	-
Loans granted.....	(8,725)	(75,248)	(13,226)	(2,821)
Loans repaid.....	358	44,960	13,277	1,829
Deposits (granted)/repaid.....	(145)	(2,125)	(476)	47
Acquisition of non-controlling interest in subsidiaries.....	(6,333)	-	-	-
Proceeds from sale of bonds.....	134	-	(9)	23,602
Purchased bonds.....	-	(15)	-	-
Net cash outflow from investing activities	(49,256)	(54,068)	(38,387)	(26,566)
Cash flows from financing activities				
Proceeds from borrowings.....	109,266	299,623	186,583	76,136
Repayment of borrowings.....	(188,441)	(441,604)	(212,574)	(111,911)
Issued bonds.....	-	108,700	-	-
Interest paid.....	(21,937)	(20,539)	(11,349)	(7,625)
Dividends paid to non-controlling interest.....	-	(1,604)	(41)	(982)
Net cash used in financing activities.....	(101,112)	(55,424)	(37,381)	(44,382)
Net increase/(decrease) in cash and cash equivalents	(21,649)	38,739	(6,111)	(38,938)
Cash and cash equivalents at the beginning of the year	65,216	43,567	43,567	82,306
Cash and cash equivalents at the end of the year.....	43,567	82,306	37,456	43,368

LEGAL INFORMATION IN RESPECT OF THE ISSUER AND THE GUARANTORS

The Issuer: ENERGO-PRO a.s.

ENERGO-PRO a.s. is a joint stock company organised and existing under the laws of the Czech Republic, having its registered office at Na poříčí 1079/3a, Nové Město, Postal Code 110 00, Prague 1, Czech Republic, identification number 632 17 783, registered in the Commercial Register maintained by the Municipal Court in Prague under file number B 20745. The Issuer was incorporated in the Czech Republic on 23 March 1995.

The Guarantors: ENERGO-PRO Georgia JSC, ENERGO-PRO Georgia Generation JSC, ENERGO-PRO VARNA EAD and Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.

ENERGO-PRO Georgia JSC ("**EP Georgia**") is a joint stock company limited by shares and existing under the laws of Georgia, having its registered address at 19 Zurab Anjaparidze Street, 0186 Tbilisi, Georgia, identification code 205169066, registered in the Public Registry of Georgia EP Georgia was incorporated on 31 July 2006.

ENERGO-PRO Georgia Generation JSC ("**EPG Generation**") is a joint stock company limited by shares and existing under the laws of Georgia, having its registered address at 19 Zurab Anjaparidze Street, 0186 Tbilisi, Georgia, registered with the Public Registry of Georgia under identification code 405182626. EPG Generation was incorporated on 23 December 2016 following its spin-off from EP Georgia.

ENERGO-PRO VARNA EAD ("**EP Varna**") is a joint stock company limited by shares and existing under the laws of the Republic of Bulgaria, having its registered office at Tower G, Varna Towers, 258 Vladislav Varnenchik Blvd., Region of Vladislav Varnenchik, 9009 Varna, Republic of Bulgaria, registered with the Bulgarian Commercial registry under UIC 204146759. EP Varna was incorporated on 12 June 2012 as a solely-owned limited liability company in Bulgaria (then of UIC 202104220) and subsequently (after Energo Pro EAD, UIC 131366301 merged into it on 1 April 2013) changed its corporate form to a solely-owned joint-stock company on 5 July 2016.

Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. ("**RH Turkey**") is a joint stock company existing under the laws of the Republic of Turkey, having its registered office at Çukurambar Mah. 1480 sokak No:2, Besa Kule A Blok Kat:12, No:43-44-45-46 Çankaya/Ankara Turkey registered with Ankara Trade Registry with registered number 61662. RH Turkey was incorporated on 14 August 1986 as a joint stock company in Turkey.

EP Georgia, EPG Generation, EP Varna and RH Turkey are together the "**Guarantors**" and each a "**Guarantor**".

DESCRIPTION OF THE BUSINESS OF THE GROUP

OVERVIEW

The Issuer, together with its subsidiaries (the "**Group**"), is a leading electricity distribution and renewable hydropower generation company in the Black Sea region. The Group's principal countries of operation are Bulgaria, Georgia and Turkey. The Group operates a generation portfolio of:

- 34 hydropower plants ("**HPPs**") in Bulgaria, Georgia and Turkey, with a total installed capacity of 744 MW as at 31 December 2017 and generating up to approximately 3 TWh of electricity every year; and
- one gas-fired thermal power plant ("**TPP**") in Georgia with a total installed capacity of 110 MW, which provides grid support services.

In addition to the Group's generation portfolio, the Group owns and operates electricity distribution networks in Bulgaria and Georgia which:

- cover a geographical area of approximately 88,000 km²;
- extend to approximately 97,000 km of network cable; and
- serve over 2.4 million customers.

Within its licence areas, the Group is the sole distributor of electricity, distributing 11 TWh in the year ended 31 December 2017. In addition, the Group supplied almost 11 TWh to regulated customers in Bulgaria and Georgia in the year ended 31 December 2017, as well as being the supplier of last resort on the regulated market in Bulgaria.

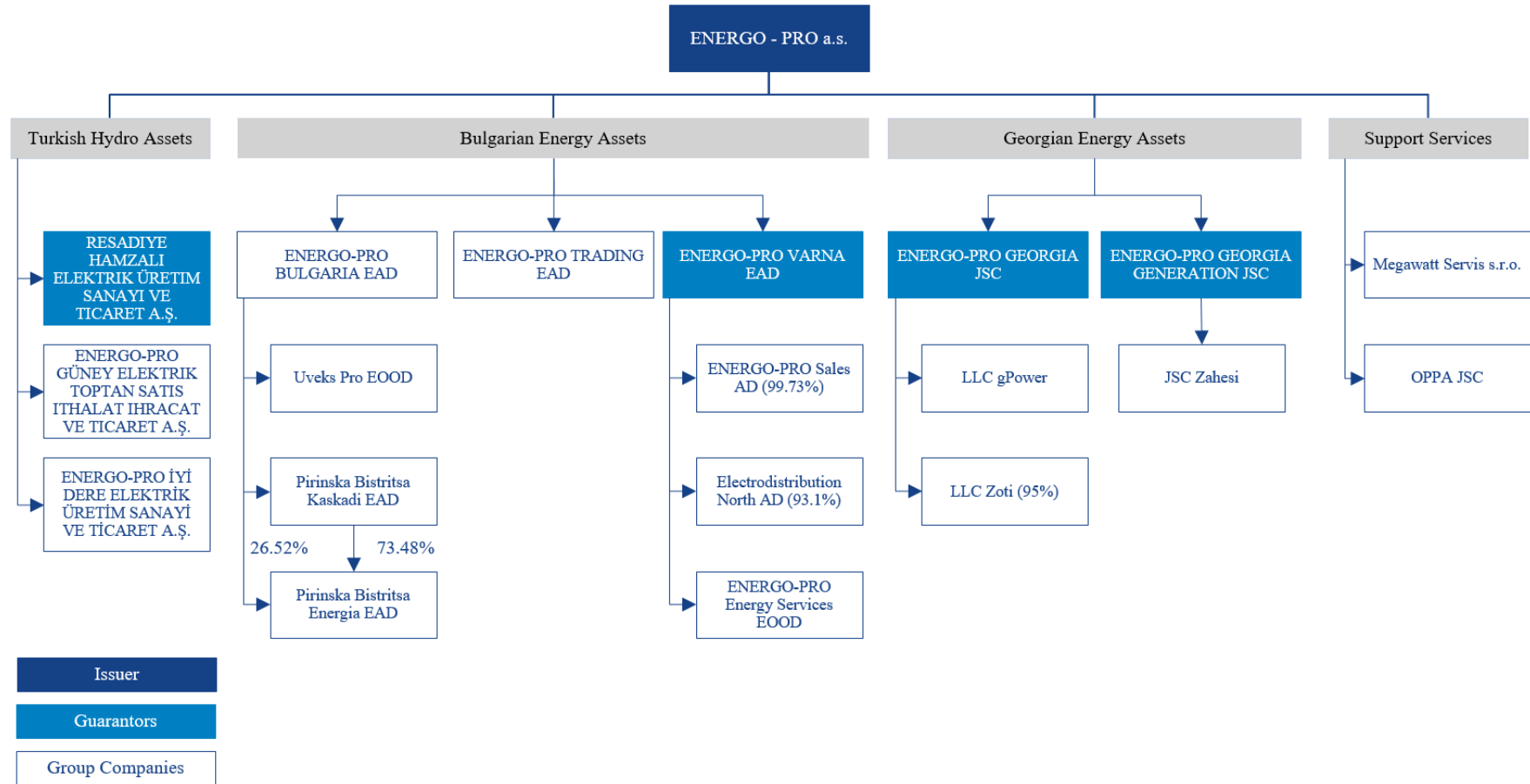
The Group's other activities include:

- electricity supply on the free market for the whole of Bulgaria, supplying 2.1 TWh to more than 9,000 customers in the year ended 31 December 2016 and 2.5 TWh to approximately 16,000 customers in the year ended 31 December 2017;
- electricity trading and the operation of an electricity wholesale business for eligible customers in Turkey, with 135 GWh and 274 GWh of electricity traded in the years ended 31 December 2017 and 2016, respectively;
- electricity trading in Bulgaria, with 1,499 GWh and 999 GWh of electricity traded in the years ended 31 December 2017 and 2016, respectively; and
- the operation of a payment terminals business in Georgia, facilitating the collection of customer payments in respect of the Group's Georgian electricity sales.

In the year ended 31 December 2016, the Group generated consolidated EBITDA of EUR163.6 million, as compared to consolidated EBITDA of EUR118.8 million in the year ended 31 December 2015. In the year ended 31 December 2016, approximately 91 per cent. of consolidated EBITDA was generated from regulated activities. Regulated activities include the distribution, supply and generation of electricity where tariffs are set using a regulatory asset base ("**RAB**") based methodology and the generation of electricity that is sold pursuant to feed-in-tariff ("**FiT**") regimes.

The Issuer is the holding company of the Group. It is wholly owned by DK Holding Investments s.r.o, which in turn is wholly owned by Mr. Jaromír Tesař.

The chart on the following page sets out the companies within the Group that are controlled by the Issuer.



Unless otherwise stated, all ownership interests are 100 per cent.

HISTORY OF THE GROUP

The key milestones in the Group's history are set out below:

- **1994** – in September, ENERGO-PRO s.r.o is incorporated in Svitavy, Czech Republic as a limited liability company by Mr. Jaromír Tesař and Mr. Mojžíš.
- **1995** – in March, the Issuer is incorporated as a joint stock company and, effective 1 April 1995, ENERGO-PRO s.r.o. is merged into the Issuer. The shares of the Issuer are split equally between Mr. Jaromír Tesař and Mr. Mojžíš. Mr. Mojžíš later sells his shareholding to Mr. Jaromír Tesař and Mr. Krušina.
- **2002-2004** – as part of the privatisation of the Bulgarian energy sector, the Group acquires eight HPPs in Bulgaria.
- **2006** – the Group commences operations in Turkey and Georgia.
- **2007** – as part of the privatisation of the Georgian energy sector, the Group acquires two electricity distribution businesses and seven HPPs in Georgia.
- **2007-2009** – the Group acquires a further eight HPPs in Georgia.
- **2010** – the Group acquires the Gardabani TPP in Georgia and five HPPs in Turkey.
- **2012** – the Group acquires E.ON's electricity distribution and supply business in Bulgaria.
- **2013** – the Group acquires an additional six HPPs in Bulgaria.
- **2016** – Mr. Jaromír Tesař acquires Mr. Krušina's beneficial shareholding in the Issuer and assumes 100 per cent. control of the Group through DK Holding Investments s.r.o.

In response to regulatory changes in Georgia, the Group 'unbundles' its Georgian generation and distribution and supply businesses, resulting in the incorporation of EPG Generation to control the Group's Georgian HPP assets.

- **2017** – the Group acquires the assets of the Kakheti electricity distribution business in Georgia.

STRATEGY

The Group's strategy is focused on maintaining and enhancing long-term, predictable cashflows from the Group's hydropower generation and electricity distribution assets, and on selectively expanding the Group's business through the acquisition of generation and distribution assets within the three countries in which it has operations. The Group aims to achieve these strategic objectives by:

Enhancing generation and distribution assets

The Group's objective in the generation segment is to further increase the efficiency of its HPPs, improve their reliability and safety, as well as to prolong their service lifetime, through the implementation of a cost-effective rehabilitation and modernisation programme. This programme is aimed at achieving excellence in technical operations, maximising efficiency and minimising the levels of unprocessed water losses.

In respect of the Group's distribution assets, the Group continues to target the reduction of commercial grid losses through effective grid management and monitoring. In addition, the Group continuously invests in improvements to its distribution network, seeking to enhance the grids' reliability and the quality of electricity supply. Such improvements continue to be achieved by implementing various rehabilitation and re-metering projects throughout the Group's licence areas (see, "*Georgia—Efficiency Measures*" below).

Increasing financial stability and flexibility

The Group sees the geographic and sectoral diversification of its operations as one of the key pillars supporting the financial stability and further growth of its business. The Group intends to transition its capital structure from being predominantly funded on an operating company level to one which is funded at the Issuer (holding company) level. In addition, the Group believes that a simplified, streamlined capital structure will provide it with more flexibility to raise and deploy capital efficiently, ultimately resulting in increased financial stability and creating a robust platform for further growth.

Growth through selective acquisitions and development

The Group believes that its operational expertise, as well as the knowledge of the markets in which it currently operates, positions it favourably to pursue selective acquisitions or other projects involving attractively-priced, quality assets in the hydroelectric power generation and electricity distribution sectors. The Group is diligent and disciplined in its approach as regards to the strategic fit, purchase price, as well as the synergistic nature of such opportunities. When making acquisitions, the Group aims to take advantage of distressed sales or disposals being made as part of a strategic refocus of the seller.

KEY STRENGTHS

The Group believes that it benefits from the following strengths:

Leading electricity distribution and renewable generation company in the Black Sea region

With more than 2.4 million grid customers and 11 TWh of distributed electricity, and 34 operating HPPs with an installed capacity of 744 MW as at and for the year ended 31 December 2017, the Group is a leading electricity company in the two main markets in which it operates. According to the Ministry of Energy in Bulgaria, as at and for the year ended 31 December 2017, the Group was the largest private renewable electricity generation company by installed capacity and electricity produced, and the third largest electricity distribution company by geographic area covered, number of connection points and electricity distributed. Furthermore, ESCO estimates that in Georgia over the same period, the Group was the largest privately owned electricity generation company by installed capacity and volume of electricity produced as well as the largest electricity distribution company by geographic area covered, number of customers and electricity distributed. The size of the Group's business provides it with a deep knowledge of the markets in which it operates, helps ensure good access to the relevant regulators and allows the Group to realise economies of scale.

Diversified operations

The Group's business benefits from geographical diversification across Bulgaria, Georgia and Turkey, as well as from exposure to generation, distribution and supply activities. In the year ended 31 December 2016, 41 per cent. of the Group's EBITDA was generated from its Bulgarian operations, 41 per cent. from its Georgian operations and 18 per cent. from its Turkish operations. In the year ended 31 December 2016, generation accounted for 37 per cent. of the Group's EBITDA, with electricity distribution and supply accounting for 62 per cent. This diversification helps the Group reduce the impact of potentially unfavourable hydrological conditions in any particular geographical area on its cashflows. It also reduces the risks related to being significantly exposed to any one regulatory regime.

Majority of cashflows from regulated activities

The Group's distribution activities are subject to 'revenue cap' regulations while the majority of its hydropower generation assets benefits from regulated tariffs and FiT regimes which eliminate or substantially reduce the price and volume risk with respect to the Group's generated electricity. In the year ended 31 December 2016, 91 per cent. of consolidated EBITDA was derived from these regulated activities. The stability provided by the regulated nature of the majority of its cashflows further de-risks the Group's business model by allowing it to plan capital investments in an environment that benefits from predictable returns and by reducing its dependence on free market electricity prices.

Efficient asset portfolio with proven track record and high cash conversion

The Group's HPPs have strong operating track records, with high availability and efficiency factors and limited periods of down time. Management believes that the nature of these assets ensures that the Group has one of the lowest levels of generation costs in the markets in which it operates. The Group's distribution assets provide a highly reliable service platform with limited loss ratios, having benefitted from various investments to improve the system average interruption duration index ("SAIDI") and the system average interruption frequency index ("SAIFI") indicators, as well as an investment programme to reduce both technical and commercial losses.

Highly experienced management team led by a long-term, committed shareholder

The Group's founder and sole shareholder, Mr. Jaromír Tesař, has been committed to the business of the Group since its establishment in 1994. He used his long-term vision and experience to build the Group over the years into its current form, and the Group remains his key asset. Mr. Tesař leads a team of highly experienced and motivated executives in the head-office in Prague, and across each of the countries in which

the Group operates. Many senior managers have held positions across a number of the Group's operating companies, thereby helping to share best practices across the Group. In addition to senior management, the Group has experienced core teams at the asset level with operations, management, and financial expertise in power projects across the region.

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The core operations of the Group are hydropower generation and the distribution and supply of electricity. The Group owns and operates HPPs in Bulgaria, Georgia and Turkey, as well as electricity distribution networks in Bulgaria and Georgia.

The table below provides an overview of the Group's revenues and the Group's EBITDA for the years ended 31 December 2016 and 2015:

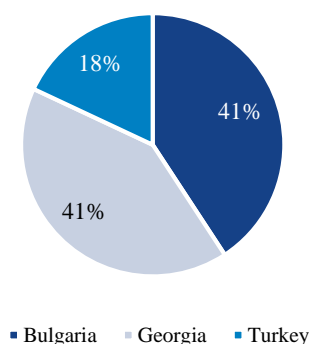
(EURmm)	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenue	EBITDA	Revenue	EBITDA
Bulgaria	515	70	490	59
Georgia	242	70	210	40
Turkey.....	60	31	52	24
Consolidated Group Total*	817	164	753	119

* (i) EBITDA is the sum of standalone EBITDA of the respective operational companies in each country, (ii) Consolidated Group Total EBITDA is reported consolidated EBITDA as per consolidated financial statements; and (iii) revenues are adjusted for intercompany differences.

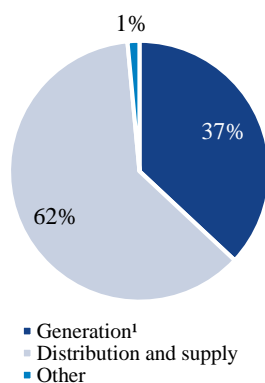
In the year ended 31 December 2016, the Group generated consolidated EBITDA of EUR163.6 million, as compared to consolidated EBITDA of EUR118.8 million in the year ended 31 December 2015, representing an increase of 38 per cent. The increase in consolidated EBITDA was attributable to favourable hydrological conditions, resulting in an increase in the amount of electricity generated across the Group's HPP portfolio, as well as the favourable tariff changes in Georgia and lower network losses in the Bulgarian distribution business.

The charts below provide a breakdown of the EBITDA for the year ended 31 December 2016 across its operating geographies, business segments and business types:

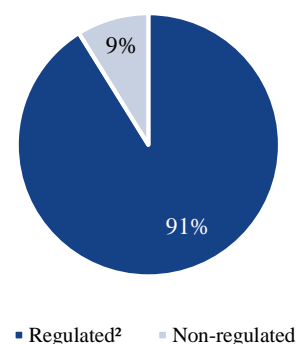
Group's EBITDA by country



Group's EBITDA by business segments



Consolidated EBITDA by regulated business



¹ 2 per cent. of the 37 per cent. Generation figure is derived from the grid support services provided by the Group's TPP.

² 71 per cent. of the 91 per cent. Regulated EBITDA is derived from RAB-based regulation, while the remaining 20 per cent of the 91 per cent. is derived from the FiT support schemes.

In the year ended 31 December 2016, 35 per cent. of the Group's EBITDA was derived from its hydropower generation business, with favourable hydrological conditions across Bulgaria, Georgia and Turkey enabling the Group's HPPs to exceed their long term average generation outputs. In addition, eight of 14 of the Group's HPPs in Bulgaria and all Turkish HPPs benefited from a guaranteed FiT, which offered a higher price per MWh than the free market in 2016.

Generation

HPP Generation

Hydropower is a versatile, flexible, clean and proven technology that at its smallest can power a single home, and at its largest can supply industry and the public with renewable electricity on a national and even international scale. Compared to other methods of electricity generation, hydropower assets have generally very long life cycles, which can approach 100 years. Due to the exceptionally long life cycle of its hydropower generation assets, the Group's HPPs benefit from low capex requirements, which can be flexibly adjusted in time. The mature technology used in HPPs means that the Group's HPPs are efficient and display high cash conversion rates.

The table below provides an overview of the Group's HPP generation activities as at and for the years ended 31 December 2017 and 2016 and the Group's EBITDA for the years ended 31 December 2016 and 2015:

	Installed capacity	Percentage of Group capacity	Electricity Generated (GWh)		Percentage of Group HPP generation		EBITDA (EUR million)		Percentage of Group's EBITDA	
			2017	2016	2017	2016	2016	2015	2016	2015
Bulgaria	166 MW	22	338	529	13	17	12	14	7	11
Georgia	482 MW	65	1,804	2,039	70	64	16	13	9	11
Turkey.....	95 MW	13	434	629	17	20	31	24	18	20
Total HPP	744 MW	100	2,576	3,197	100	100	59	52	35	42

Hydropower technology

The two principal types of HPPs are set out below:

- *With reservoir or storage hydropower:* typically a large system that uses a dam to store water in a reservoir. Electricity is produced by releasing water from the reservoir through a turbine, which activates a generator. Storage hydropower provides base load as well as the flexibility to be shut down and started up at short notice according to the demands of the system (peak load). It can offer enough storage capacity to operate independently of the hydrological inflow for many weeks or even months.
- *Run-of-the river hydropower:* a facility that channels flowing water from a river through a canal or penstock to spin a turbine. Typically a run-of-the river project will have little or no storage facility and can operate in a series of cascades. Run-of-the river provides a continuous supply of electricity (base load), with some flexibility of operation for daily fluctuations in demand by regulating water flow at the facility.

Twenty of the Group's HPPs use the 'with reservoir' typology, with the remaining 14 HPPs using 'run-of-the river' typology. In addition, four of the Group's run-of-the-river HPPs in Turkey are located downstream from large reservoirs. The Group believes that the two main benefits of HPPs with reservoir (their ability to supply peak load and to reduce the impact of hydrology on generation volumes) will become particularly important once the Group's HPPs cease to benefit from a regulated tariff or FiT.

TPP generation

In addition to the Group's 34 HPP assets, the Group also owns and operates a 110 MW gas fired TPP in Georgia (see "*Georgia – Distribution and Supply of Electricity – EP Georgia – LLC gPower*"). This TPP is currently used for grid support services.

The table below provides an overview of the Group's generation activities as at and for the years ended 31 December 2017 and 2016 and the Group's EBITDA for the years ended 31 December 2016 and 2015:

	Installed capacity	Percentage of Group capacity	Electricity Generated (GWh)		Percentage of Group generation		EBITDA (EUR million)		Percentage of Group's EBITDA	
			2017	2016	2017	2016	2016	2015	2016	2015
HPPs	744 MW	87	2,576	3,197	98	98	59	52	35	42
TPP (Georgia).....	110 MW	13	50	70	2	2	4	4	2	4
Total	854 MW	100	2,626	3,267	100	100	63	56	37	45

Distribution and supply

The Group's distribution business in Bulgaria and Georgia is a natural monopoly: the Group is the sole distributor of electricity in the relevant licence area. In respect of the electricity supply business, the Group is able to supply electricity to customers across the entire territory of Bulgaria and Georgia.

The Group continues to strengthen its position in the distribution business through capital investment into the network as well as via strategic expansion, such as the recent acquisition of the assets of the Kakheti distribution business in Georgia.

The table below provides an overview of the Group's distribution and supply activities as at and for the years ended 31 December 2017 and 2016 and the Group's EBITDA for the years ended 31 December 2016 and 2015:

	Area covered (km ²)	Network length (km)	Total Electricity Distributed (GWh)		Grid losses (per cent.)		Total Number of Customers ('000)		EBITDA (million Euro)		Percentage of the Group's EBITDA (%)	
			2017	2016	2017	2016	2017	2016	2016	2015	2016	2015
Bulgaria	29,000	42,535	6,308	6,180	10.0	11.0	1,222	1,217	57	45	33	36
Georgia*	58,847	54,445	5,254	4,740	8.1	8.4	1,190	1,026	48	21	28	17
Total	87,847	96,980	11,562	10,920	N/A	N/A	2,412	2,243	105	67	62	54

* 2017 and actual figures including Kakheti acquired in 2017.

Grid losses occur when electricity is transmitted across extensive distribution networks, with electricity being lost in both power lines and transformers (technical losses). In addition to technical losses, the Group is also exposed to electricity theft from its networks (commercial losses). As part of the Group's strategy to enhance the effectiveness of its assets, the Group operates a continuous programme to reduce its grid losses.

Bulgaria

The Group operates the following businesses in Bulgaria:

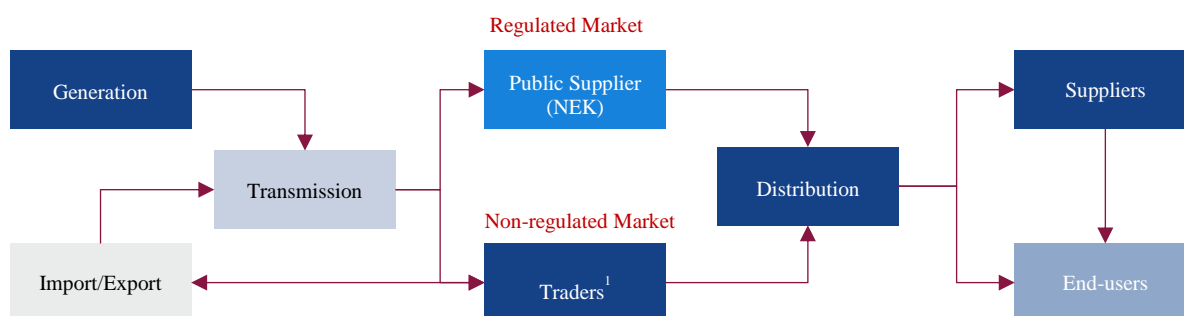
- Electricity generation through ENERGO-PRO Bulgaria EAD ("**EP Bulgaria**");
- Electricity distribution and supply through subsidiaries of ENERGO-PRO Varna EAD ("**EP Varna**"), namely:
 - Electricity distribution through Electrodistribution North AD (formerly known as ENERGO-PRO Grid AD) ("**EDC North**");
 - Electricity supply on the regulated market through ENERGO-PRO Sales AD ("**EP Sales**");
 - Electricity supply on the free market through ENERGO-PRO Energy Services EOOD ("**EP Energy Services**"); and
- Electricity trading through ENERGO-PRO Trading EAD ("**EP Trading**").

The table below provides an overview of the Group's Bulgarian operations' revenue and EBITDA for the years ended 31 December 2016 and 2015:

(EURmm)	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenue	EBITDA	Revenue	EBITDA
EP Bulgaria	20	12.3	22	14.1
EP Varna	488	57.2	468	45.2
EP Trading	33	0.2	30	0.1
Bulgaria Total*	515	69.7	490	59.4

* (i) EBITDA is the sum of standalone EBITDA of the respective operational company; and (ii) Total revenue are adjusted for intercompany differences, i.e. excluding related party transactions.

The following diagram provides an overview of Bulgaria's energy supply chain. In Bulgaria, low-voltage customers purchase electricity at regulated prices approved by the national regulator, the EWRC, whereas medium-, high-voltage and industrial customers purchase electricity at free market prices.



¹ Participants in liberalised market: Generators, traders, suppliers of last resort, end customers, power exchange operator.

Group's operation areas

For a more detailed description of the Bulgarian energy market, see "*Regulation – Regulation in Bulgaria*".

Electricity Generation - ENERGO-PRO Bulgaria EAD

According to the Bulgarian Sustainable Energy Development Agency, EP Bulgaria is the largest private producer of electricity generated from renewable sources in Bulgaria. EP Bulgaria currently owns and operates 14 HPPs, 13 of which utilise storage hydropower technology, the remaining HPP being a run-of-the river plant. 10 of the HPPs are united in four cascades: Sandanska Bistritsa Cascade; Pirinska Bistritsa Cascade; Koprinka Cascade; and Petrohan Cascade. As at 31 December 2017, the total installed capacity of EP Bulgaria's HPPs was 166.3 MW.

During the year ended 31 December 2017, EP Bulgaria generated 338 GWh of hydropower, compared to 529 GWh in the previous year. The Group estimates the long-term average annual electricity generation of its Bulgarian HPPs to amount to approximately 457 GWh.

The table below sets out certain information relating to EP Bulgaria's owned generation assets as at 31 December 2017 and its generation data for the years ended 31 December 2017, 2016 and 2015:

Facility name	Type	COD	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2015	2016	2017
Spanchevo...	With reservoir	1981	28.0	Free market	n/a	80	77	50
Stara Zagora.....		1955	22.4	Free market	n/a	93	88	34
Popina Laka.....		1969	22.0	Free market	n/a	67	67	49
Pirin.....	With reservoir	1992	22.0	Free market	n/a	57	59	38
Lilyanovo.....	With reservoir	1968	20.0	Free market	n/a	63	61	43
Sandanski...	With reservoir	1971	14.4	Free market	n/a	40	37	24
Petrohan.....	With reservoir	1957	7.7	Regulated (FiT)	2024	22	26	21
Koprinka.....	With reservoir	1954	7.0	Regulated (FiT)	2024	22	21	7
Barziya.....	With reservoir	1955	5.6	Regulated (FiT)	2024	22	21	25
Ogosta.....	With reservoir	2002	5.0	Regulated (FiT)	2024	22	22	9
Kilsura	With reservoir	1953	3.5	Regulated (FiT)	2024	11	18	12
Katuntsi.....	With reservoir	2005	3.5	Regulated (FiT)	2024	13	11	8
Samoranovo	With reservoir	1965	2.9	Regulated (FiT)	2024	7	10	6
Karlukovo....	Run-of-the river	2010	2.3	Regulated (FiT)	2025	11	11	10
Total	n/a	n/a	166.3	n/a	n/a	531	529	338

In Bulgaria, generation of electricity from renewable sources is promoted through a FiT scheme available to renewable power producers. In the hydropower sector, a guaranteed tariff is applicable where an HPP has installed capacity of less than 10 MW. Eight out of the 14 HPPs owned and operated by EP Bulgaria benefit from this guaranteed tariff, the rate of which is fixed for 15 years and is not affected by indexation. The electricity generated by these eight HPPs is sold to state-owned Natsionalna Elektricheska Kompania EAD ("NEK") pursuant to a power purchase agreement ("PPA"). See further, "*Regulation – Regulation in Bulgaria*".

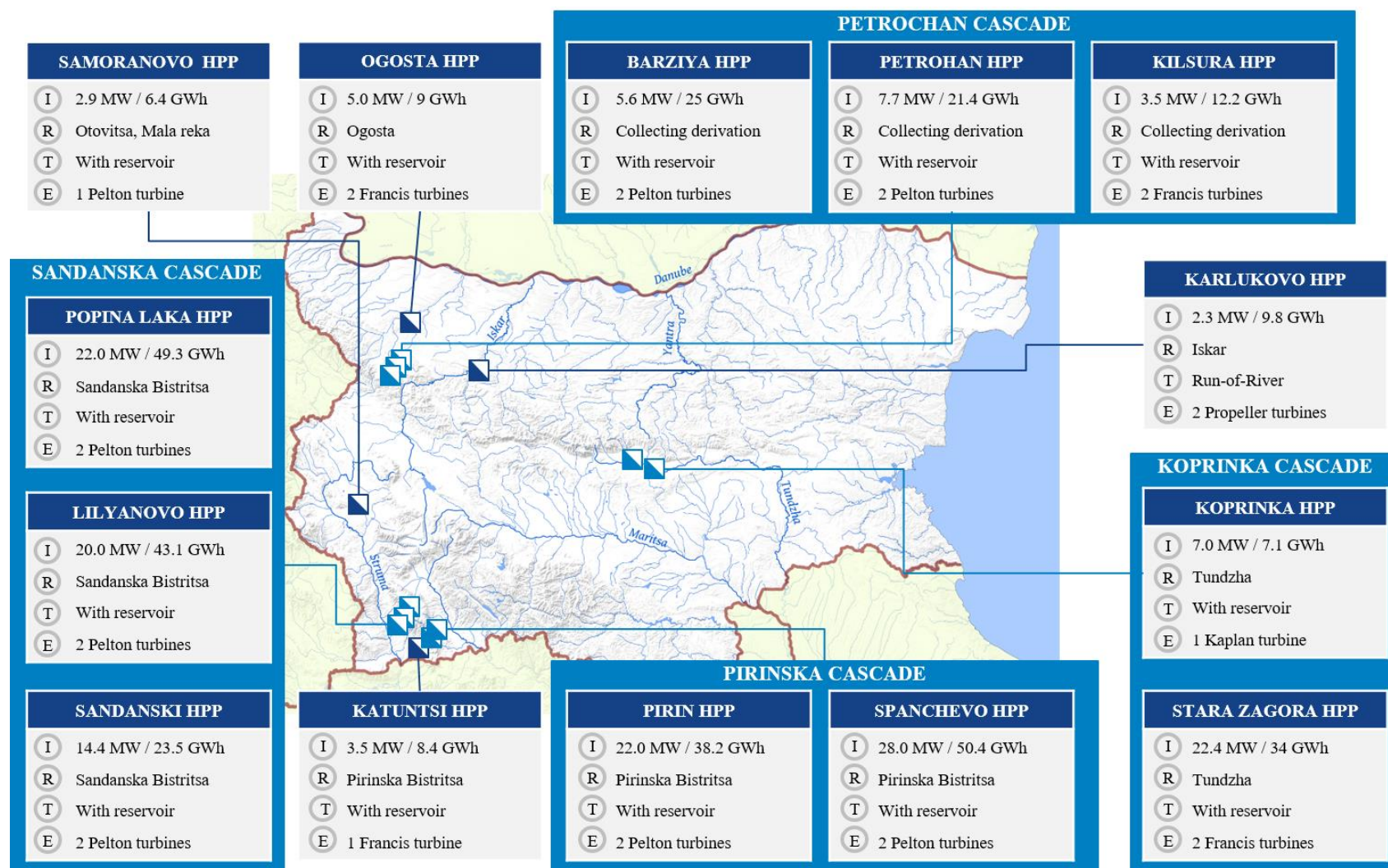
The electricity generated by the six remaining HPPs is subject to free market prices, with EP Bulgaria selling this electricity to EP Trading pursuant to bilateral contracts. Upon the expiry of the FiTs, the Group's regulated HPPs are expected to transition to free market prices and sell their electricity to EP Trading as well.

The table below sets out the average selling prices for electricity generated and sold at free market prices (i.e. not subject to FiT scheme) in the years ended 31 December 2017, 2016 and 2015 and the fixed FiTs applicable for those periods:

In euros per MWh	Year ended 31 December		
	2017	2016	2015
Average free market price	36.13	33.42	35.00
Average FiT price*	57.51 / 108.95	57.51 / 108.95	57.51 / 108.95

* The FiT is subject to a load cap of 2,500/3,724 hours. Any production in excess of this load cap must be sold at free market prices. Higher FiT and load cap applies to Karlukovo HPP only.

The following map shows the location of EP Bulgaria's HPPs:



Legend: I – installed capacity and 2017 annual generation; R – river; T – type of the HPP (with reservoir or run-of-river); E – # of turbines + type of turbine
 EP Bulgaria is not a guarantor in respect of the Notes.

Distribution and Supply of electricity - ENERGO-PRO Varna EAD

In the year ended 31 December 2016, the EP Varna Group generated EBITDA of EUR57.2 million, of which EUR56.6 million was derived from the regulated activities of EDC North and EP Sales, as compared to EUR45.2 million and EUR41.1 million in the year ended 31 December 2015, respectively. Given the significance of the regulated market to the EP Varna Group's operations in Bulgaria, its activities and development are dependent on the decisions of EWRC with respect to prices in the energy sector.

The table below provides an overview of the EP Varna Group's financial performance in the years ended 31 December 2016 and 2015:

(EURmm)	Year ended 31 December 2016			Year ended 31 December 2015		
	Revenue	EBITDA	Regulated EBITDA	Revenue	EBITDA	Regulated EBITDA
EDC North	131	42	42	119	37	37
EP Sales	314	15	15	352	5	5
EP Energy Services	137	0	–	85	2	–
EP Varna Consolidated*	488	57	57	468	45	41

* The total figures for EP Varna are consolidated and include intra-group trading (consolidation differences).

EP Varna's grid losses for the year ended 31 December 2017 were 10.0 per cent., as compared to 11.0 per cent. in the year ended 31 December 2016, but still remain higher than the nine per cent. that has been approved by the Bulgarian regulator, the EWRC. The Group expects grid losses to fall to nine per cent. in 2018. See "*Regulation—Regulation in Bulgaria*".

During the years ended 31 December 2016 and 2017, EP Varna focused on reducing commercial grid losses, improving its distribution network as well as the reliability of the electricity supply and ensuring it was in compliance with its legal obligations. The Group has invested in meter replacements to reduce the amount of non-technical related losses, new customer connections, in particular connections of residential buildings, and improvements to the grid.

In 2016, the liberalisation of the Bulgarian energy supply market continued, with more business customers able to move from the regulated market to the free market. While this had a negative impact on EP Sales which operates in the regulated market, high market prices of power and customer acquisition had a positive impact on EP Energy Services. It is difficult for the Group to predict with any accuracy the impact of further market liberalisation since, at least in theory, as more customers move to free markets the Group's margins could be expected to decrease. However, prices in the unregulated market can in certain circumstances be higher than regulated prices and in the event that the Group retains existing customers and wins new ones, deregulation is likely to be beneficial to the business. In the year ended 31 December 2017, approximately 44 per cent. of the Group's supply volumes were traded on the non-regulated market, therefore, any material impact of further liberalisation is contained and factored into the Group's past performance.

EP Varna is a Guarantor in respect of the Notes.

Electrodistribution North AD

EDC North operates and maintains an electricity distribution network in Bulgaria that extended to 42,535 km as at 31 December 2017. EDC North holds a licence issued by EWRC which is valid until 2039 for the distribution of electricity within its licenced area, which covers approximately 26 per cent. of Bulgaria. EDC North also has rights and obligations deriving from its position as a balancing group coordinator in Bulgaria.

In the year ended 31 December 2016, EDC North generated EBITDA of EUR42 million, as compared to EUR37 million in the year ended 31 December 2015.

EDC North is one of three main electricity distributors in Bulgaria, each benefitting from a natural monopoly in its respective licence area. EDC North operates within the boundaries of its licenced territory, which includes nine districts in North Eastern Bulgaria: Varna, Veliko Turnovo, Gabrovo, Dobrich, Razgrad, Ruse, Silistra, Targovishte and Shumen.

The map below indicates the licenced territories of the three main electricity distribution companies in Bulgaria:



The table below sets out details of EDC North's operational activities for the years ended 31 December 2015, 2016 and 2017:

	Unit	Year ended 31 December		
		2015	2016	2017
Wheeling volume ¹	GWh	6,131	6,180	6,308
Grid loss volume ²	GWh	740	682	632
Grid losses	%	12.1	11.0	10.0
Distributed volume ³	GWh	5,391	5,498	5,676
Of which Free market	GWh	1,626	1,987	2,399
Of which Regulated market	GWh	3,765	3,511	3,277
Number of connection points	('000)	1,210	1,217	1,222
SAIDI unplanned ⁴	(minutes)	78.1	70.6	65.2
SAIFI unplanned ⁵	(frequency)	1.6	1.4	1.1
Network length	(km)	42,420	42,450	42,535
RAB	(BGNm)	339.1	339.7	341.9
WACC (nominal, pre-tax)	%	7.04	7.04	7.04

¹ Total volume of electricity transmitted over the grid

² The volume difference between purchased electricity and sold electricity, as well as own consumption

³ Total volume of supplied electricity

⁴ System Average Interruption Duration Index

⁵ System Average Interruption Frequency Index

In Bulgaria, electricity distribution is regulated by EWRC, with EDC North being subject to a revenue cap that is applicable for a regulatory period that lasts between two and five years. On 1 August 2015, EDC North entered a new three year regulatory period that will continue until 30 June 2018. With limited exceptions, regulated prices are not adjusted within a regulatory period. The advantage of the regime is that the Group benefits from stable regulatory environment in which revenues are not subject to volatility.

The distribution tariff consists of a number of components, including costs approved by EWRC, EDC North's RAB and the weighted average cost of capital ("**WACC**").

EDC North is not a Guarantor in respect of the Notes.

EP Sales

EP Sales is the sole licence-holder for the end-supply of regulated market electricity to customers located in North Eastern Bulgaria. It holds a licence issued by EWRC which is valid until 2039 for the public supply of electricity within the territory of the EDC North network. EP Sales is also a licenced "supplier of last resort" until 2039, which obliges EP Sales to supply electricity to those customers who either: (i) do not have an electricity supplier; or (ii) were purchasing electricity on the free market, but their electricity provider subsequently left the free market. Electricity sold pursuant to EP Sales' role as supplier of last resort benefits from a three per cent. mark-up on the procurement cost.

In the year ended 31 December 2016, EP Sales generated EBITDA of EUR15 million, as compared to EUR5 million in the year ended 31 December 2015. 100 per cent. of EP Sales' revenues are derived from the regulated market.

The table below sets out details of EP Sales' operational activities or the years ended 31 December 2015, 2016 and 2017:

	Unit	Year ended 31 December		
		2015	2016	2017
Supplied volume	GWh	3,765	3,511	3,277
Number of customers	('000)	1,073	1,065	1,059
Supply margin (regulated)	%	2.29	2.29	2.29

EP Sales' Cash Collection Rate has remained at approximately 97 per cent in the each of the years ended 31 December 2015, 2016 and 2017.

EP Sales is not a Guarantor in respect of the Notes.

EP Energy Services

EP Energy Services holds a licence issued by EWRC which is valid until 2026, which enables it to buy and sell electricity at freely negotiated prices and to provide electricity to end customers across Bulgaria. EP Energy Services is a licenced participant and active electricity trader on the Independent Bulgarian Energy Exchange ("**IBEX**") and is one of the leading traders on the Bulgarian free market. Based on data from the Electricity System Operator for 2016 and 2017, EP Energy Services had a 13.6 per cent. and 14.7 per cent. market share, respectively, and was the second largest supplier on the free market in terms of delivered volumes to end customers.

EP Energy Services sources electricity on the wholesale market from generators, traders and IBEX.

In the year ended 31 December 2016, EP Energy Services generated EBITDA of EUR0 million, as compared to EUR2 million in the year ended 31 December 2015. EP Energy Services' revenues are derived from the free-market.

The table below sets out details of EP Energy Services' operational activities or the years ended 31 December 2015, 2016 and 2017:

		Year ended 31 December		
		2015	2016	2017
Supplied volume	GWh	1,415	2,088	2,546
Number of customers	#	2,233	9,060	15,818
Average selling price	BGN/MWh	79.9	73.7	72.6
Total electricity sold on free market	GWh	13,300	15,500	17,155

EP Energy Services is also a coordinator of two balancing groups and receives a fee for this service. The service consists of aggregating and managing hourly deviations from forecasted schedules, thus minimising the balancing cost for its own portfolio and its members.

EP Energy Services is not a Guarantor in respect of the Notes.

Trading - ENERGO-PRO Trading EAD

EP Trading was established in 2011 and has been in operation since 2012. EP Trading's main activity is the trade on local and regional wholesale markets through, import and export of electricity and trade with Guarantees of Origin. EP Trading actively trades electricity in Bulgaria as well as in the neighbouring countries of Greece, Macedonia, Serbia, Romania, Turkey and also in Hungary. The main area of focus of EP Trading is to strengthen the Group's position by establishing a stable and reliable presence via long-term relationships with leading companies in the energy sector in central and southeast Europe and to grow trading turnover and supply electric power to business partners and as well minimising the regulatory risk by diversifying the accessible markets in the region.

In 2017, EP Trading increased its traded power volumes by more than 50 per cent., from 999 GWh in 2016 to 1,499 GWh.

EP Trading is not a Guarantor in respect of the Notes.

Georgia

Through the Issuer's subsidiaries in Georgia, the Group operates the following businesses:

- Electricity generation through EPG Generation and gPower LLC;
- Electricity distribution and supply through EP Georgia; and

- Payment collection through OPPA JSC (formerly known as Nova Technology JSC) ("**OPPA**").

On 23 December 2016, EP Georgia completed a reorganisation resulting in EPG Generation being created by way of spin-off from EP Georgia (the "**Spin-Off**"). EPG Generation holds the Group's Georgian HPP assets whereas EP Georgia operates the Group's Georgian electricity distribution business and the Group's TPP. As Georgia moves closer to adopting the European regulatory regime, further unbundling of the Group's Georgian operations may occur, which may result in the Group's distribution and supply businesses being legally separated.

The table below provides an overview of the Group's Georgian operations' financial performance in the years ended 31 December 2016 and 2015:

(EURmm)	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenue	EBITDA	Revenue	EBITDA
EP Georgia*	233	68	203	39
OPPA	9	2	8	1
Georgia Total	242	70	210	40

* EP Georgia figures are inclusive of the Group's Georgian generation business, which was spun-off to EPG Generation on 23 December 2016, i.e. include consolidated figures of current EP Georgia and gPower, EPG Generation and JSC Zahesi. All financial figures are based on stand-alone financials. Georgia Total Revenue is based on the EP Georgia Group's consolidated figures, i.e. excluding intercompany trading.

The table below provides a breakdown of the EBITDA generated by EP Georgia's operations in the years ended 31 December 2016 and 2015.

	Year ended 31 December 2016	Year ended 31 December 2015
	EBITDA	EBITDA
Distribution and Sales (currently EP Georgia)	48.1	21.4
Grid Support Services (currently gPower)	4.0	4.5
HPP Generation (currently EPG Generation and JSC Zahesi)	16.1	13.2
EP Georgia Total	68.2	39.1

In the year ended 31 December 2016, 84 per cent. of the Group's Georgian EBITDA was derived from regulated activities, as compared to 78 per cent. in the year ended 31 December 2015.

Electricity Generation – EPG Generation, gPower

EPG Generation and its subsidiary, JSC Zahesi (together, the "**EPGG Group**") own and operate 15 medium sized HPPs with a total capacity of 482 MW, representing 15 per cent. of Georgia's hydropower generation capacity. In the year ended 31 December 2017, the EPGG Group's annual production was 1,804 GWh, as compared to an annual production of 2,039 GWh in the year ended 31 December 2016. The Group estimates the long-term average annual electricity generation of its Georgian HPPs to amount to approximately 1.82 TWh.

gPower LLC owns and operates the Gardabani gas turbine with installed capacity of 110 MW, which provides mainly ancillary services see "*—Distribution and Supply of Electricity - EP Georgia – LLC gPower*" below.

The table below sets forth certain information relating to the Group's Georgian owned generation assets as at 31 December 2017 and its generation data for the years ended 31 December 2017, 2016 and 2015:

Facility name	Type	COD	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2015	2016	2017
Lajanuri	With reservoir	1960	113.7	Regulated	December 2020	382	455	390
gPower	TPP	2006	110.0	Grid support	December 2018	25	70	50
Dzevrula	With reservoir	1956	80.0	Regulated	December 2020	121	159	150
Gumati I	With reservoir	1958	46.7	Regulated		289	368	321
Gumati II	With reservoir	1956	22.8	Regulated	December 2020			
Rioni								299
.	Run-of-the river	1933	51.0	Regulated	December 2020	312	313	

Facility name	Type	COD	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2015	2016	2017
Shaori.....	With reservoir	1955	40.3	Regulated	December 2020	107	132	147
Zahesi.....	With reservoir	1927-39	36.8	Free market	n/a	188	216	180
Chitakhevi.....	Run-of-the river	1949-51	21.0	Free market	n/a	96	98	89
Atsi.....	Run-of-the river	1937	18.4	Free market	n/a	59	104	94
Ortachala.....	Run-of-the river	1954	18.0	Free market	n/a	79	93	66
Satskhenisi.....	Run-of-the river	1952	14.0	Free market	n/a	18	45	26
Sioni.....	With reservoir	1964	9.0	Free market	n/a	19	25	20
Chkhorotsku.....	Run-of-the river	1967	6.0	Free market	n/a	18	18	16
Marthopi.....	Run-of-the river	1953	3.9	Free market	n/a	4	9	4
Kinkisha.....	Run-of-the river	1954	0.9	Free market	n/a	2	3	3
Total.....	n/a		592.5	n/a	n/a	1,719	2,108	1,854

Regulated generation tariff is calculated using RAB based methodology for each HPP. Gumati II generation figures are combined with Gumati I.

The table below sets out the investments in network and generation assets in the years ended 31 December 2016, 2015 and 2014:

(EURmm)	Years ended 31 December		
	2014	2015	2016
Distribution.....	12	14	24
Generation (HPPs and TPP).....	3	5	3
Total.....	15	19	27

EP Georgia has invested heavily in the modernisation and maintenance of its assets, some of which entered into service prior to 1950. EP Georgia has developed and implemented a rehabilitation programme for its HPPs aiming to establish an efficient electricity generation process through technological improvements.

In respect of the distribution network, the low voltage grid has been rehabilitated through the replacement of infrastructure and by repairing old transformers. EP Georgia has also introduced individual meters across its low voltage network, such that each individual customer now has its own meter. These capex projects have improved the quality of the Group's service and contributed to a more stable supply of electricity in Georgia. The company carries out continuous electricity grid rehabilitation projects throughout its coverage area in order to improve the electricity grid condition and provide high-quality electricity supply to its customers.

The table below sets out the average ESCO balancing market price (set by the Georgian market operator), which can be used as a proxy for evaluating wholesale prices in the years ended 31 December 2017, 2016 and 2015 and the fixed regulated tariffs applicable for those periods for regulated HPPs operated by the EPGG Group:

In GEL per MWh	Year ended 31 December		
	2017	2016	2015
Average balancing market* price.....	125.97	107.54	123.49
Average regulated price for HPPs operated by EPGG Group.....	28.22	31.24	32.45

* There is no free market electricity price in Georgia. The market price above is based on the balancing price for electricity used by ESCO (a wholesale proxy). In 2018, the Group expects that it will sell electricity from its non-regulated HPPs to its distribution network at 90 per cent. of the ESCO price

In Georgia, all HPPs with an installed capacity above 40 MW and built prior to August 2008 are subject to price regulation. As such, 6 out of the EPGG Group's 15 HPPs currently sell electricity at regulated prices to EP Georgia under the power purchase agreement. The remaining nine Georgian HPPs sell their electricity to EP Georgia pursuant to an annual contract at "market" negotiated prices. According to the bilateral contracts, EP Georgia is obliged to purchase all generated electricity and in case of surplus, EPGG Group may enter into monthly contracts with third party customers to sell excess electricity which is not utilised by EP Georgia.

In accordance with proposed legislative changes, from 1 May 2018, high voltage customers (who are currently end-user customers of EP Georgia) will not be allowed to purchase electricity from distribution companies. As a result, the quantity of electricity traded in the free market will increase and prices will be

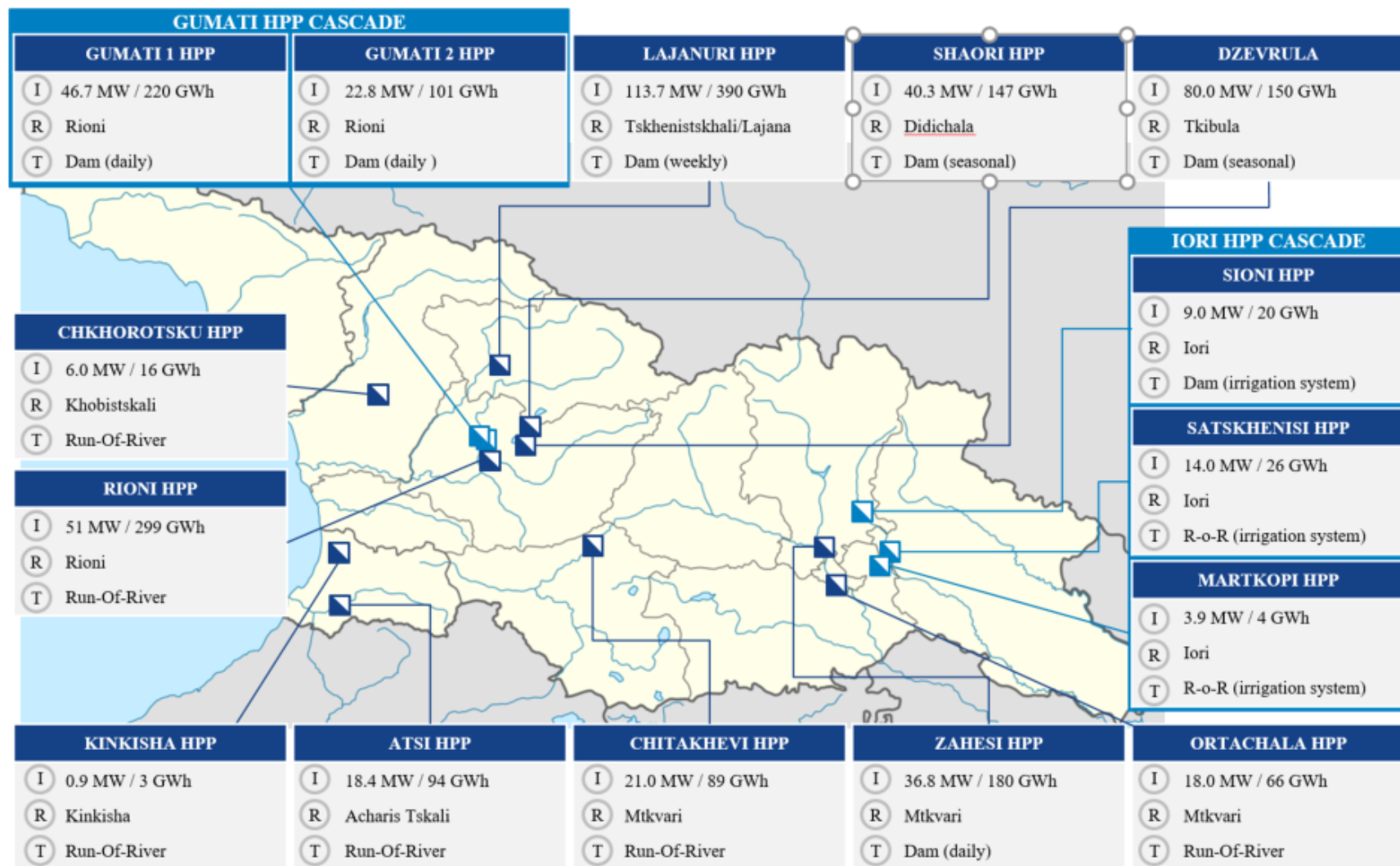
freely negotiated between high voltage electricity consumers and EPGG Group. Historically, free market electricity prices have been higher than regulated prices in Georgia.

The regulation of electricity pricing is based on an HPP's commissioning date, installed capacity and costs (regulated asset base). The Georgian National Energy and Water Supply Regulatory Commission ("GNEWRC") approves the regulatory cost base for each regulated HPP, which sets the level of permitted revenue that can be generated. A number of components are used by GNEWRC to calculate the tariffs applicable to each HPP, with the key variable factors being the RAB and the WACC. By increasing the RAB through capital expenditure and modernisation, the Group is able to benefit from higher regulated tariffs. From 1 January 2018, the WACC on RAB will increase from 13.54 per cent. to 16.40 per cent., thereby increasing the regulated tariffs for the six HPPs that are subject to the regulated tariff regime. See "*Regulation – Regulation in Georgia*".

Upon the introduction of the increased capacity threshold on 1 January 2018, an additional five HPPs left the regulated tariff regime, however due to the changes in the regulated pricing model, the five HPPs that remain subject to regulated pricing benefit from increased tariffs, thereby their contribution to regulated EBITDA will be increased.

The EPGG Group's HPP maintenance programme aims to secure stable electricity generation as well as technological modernisation.

The following map shows the location of the EPGG Group's HPPs:



Legend: I – installed capacity and 2017 annual generation; R – river; T – type of the HPP (with reservoir or run-of-river)

EPG Generation is a Guarantor in respect of the Notes.

Distribution and Supply of Electricity - EP Georgia

The Group's distribution business in Georgia is operated through EP Georgia (EP Georgia together with its subsidiaries, the "EP Georgia Group").

EP Georgia Group is the largest energy distribution company in Georgia in terms of the number of customers served and its sales and services territory, according to management estimates. Following the acquisition of the Kakheti distribution network in August 2017, EP Georgia Group provides power to almost 1.2 million customers, distributing over 5 TWh of electricity and covering 85 per cent. of Georgia's territory, benefiting from a natural monopoly within the territories in which it operates. The EP Georgia Group supplied 4,895 GWh of electricity to 1,189,963 points of delivery during the year ended 31 December 2017 and 4,293 GWh to 1,025,652 points of delivery during the year ended 31 December 2016.

While Georgia has made significant progress in reforming the electricity generation, transmission and distribution sectors, the Georgian energy sector continues to undergo fundamental changes. Full implementation of the legal reforms in the Georgian electricity market and indirect connection to a unified European grid is expected to be finalised in 2019-2020. For further information on the Georgian electricity regulatory framework, see "*Regulation—Regulation in Georgia*".

In August 2017, the Group acquired the Kakheti distribution network (through an asset purchase), which added an additional 141,550 distribution customers and a further 4,760 km of network, expanding EP Georgia Group's geographical coverage from 68 to 85 per cent. of Georgia's territory. In the year ended 31 December 2016, 343 GWh of electricity was distributed across the Kakheti distribution network. Between 1 January and 31 August 2017, 239 GWh of electricity was distributed across the Kakheti distribution network.

The table below sets out details of EP Georgia's operational activities for the years ended 31 December 2015, 2016 and 2017:

	Unit	Year ended 31 December		
		2015	2016	2017 ⁵
Wheeling volume ¹	GWh	4,590	4,740	5,254
Grid loss volume ²	GWh	402	412	359
Grid losses	%	8.26	8.39	8.1
Supplied volume ³	GWh	4,193	4,293	4,895
Transmitted Volume ⁴	GWh	277	170	174
Number of connection points	('000)	1,002	1,026	1,190
Number of meters	('000)	931	989	1,179
Network length	(km)	48,023	48,173	54,445
RAB	(GELm)	267	300	369
WACC (nominal, pre-tax)	%	13.54	13.54	13.54

¹ Total volume of electricity transmitted over the grid

² The volume difference between purchased electricity and sold electricity, as well as own consumption

³ Total volume of supplied electricity

⁴ Volume distributed to non-EP Georgia customers (supplied volume)

⁵ Including the Kakheti distribution network data for September to December 2017.

From 1 January 2018, the WACC on RAB increased from 13.54 per cent. to 16.4 per cent., thereby increasing the regulated distribution tariffs for the EP Georgia Group. See "*Regulation—Regulation in Georgia*".

The table below sets out the sources of the electricity supplied by EP Georgia between 2015-2017:

	2015	2016	2017
		(GWh)	
Purchased	3,035	2,847	3,583
Internally generated	1,660	1,991	1,773
Transmitted volume	277	170	174
Total.....	4,972	5,008	5,530

Efficiency Measures

The EP Georgia Group invests heavily in the modernisation and maintenance of its assets. It carries out continuous electricity grid maintenance and individual re-metering projects throughout its coverage area, installing an additional 75,000 meters across its network between 2006 and 2017. The Group's investment in re-metering its network has helped to decrease grid losses and increase cash collections. Between 2007 (being the year that the Group began operating the grid) and the year ended 31 December 2017, the EP Georgia Group decreased grid losses from 14.8 per cent, to 8.1 per cent. This reduction can be attributed to effective management and monitoring.

In respect of cash collections, the EP Georgia Group has improved collection rates from 89.7 per cent. in the year ended 31 December 2007 to 99.0 per cent. in the year ended 31 December 2017. The material increase in collection efficiency can be partly attributed to the acquisition of OPPA in 2014, which has provided customers with an efficient method of paying for the Group's electricity. See "*Payment Collection - OPPA JSC*" below. In addition, the EP Georgia Group has introduced and enforced a strict disconnection policy that results in customers being disconnected if they are more than 15 days in arrears on their bill payments. Combined with high re-connection costs, these policies have had a significant impact on the EP Georgia Group's collection efficiencies.

EP Georgia is a Guarantor in respect of the Notes.

LLC gPower

EP Georgia's subsidiary, LLC gPower ("**gPower**") provides Georgian grid support services through the provision of reserve capacity. gPower owns and operates the gas turbine power plant with a capacity of 110 MW located in Gardabani. This power plant is used to generate electricity during seasonal peaks when there is a shortfall in capacity on the Georgian grid. As the gPower plant is only run periodically, it derives its revenue from two sources: (i) a system reserve tariff which represents the guaranteed capacity that is available to the national grid; and (ii) electricity revenue which covers the variable costs of operating the plant.

	Year ended 31 December		
	2016	2017	2018
Daily fee (GEL).....	41,671	42,256	44,874
Generation tariff (GEL/MWh).....	84.60	141.20*	94.31

* On 22 September 2017 GNEWRC revised all TPP's tariffs and decreased the gPower tariff to 105.37 in response to foreign exchange changes. The decreased tariff should apply from 1 September 2017.

From 1 January 2018, the WACC on RAB increased from 13.54 per cent. to 16.4 per cent., thereby increasing the regulated tariff for gPower. See "*Regulation – Regulation in Georgia*".

gPower is not a Guarantor in respect of the Notes.

Payment Collection - OPPA JSC

The Group acquired OPPA in 2014 in order to reduce its reliance on third parties with respect to the collection of payments from its customers in Georgia, and to help improve the collection rate. As Georgia is a largely cash based economy, the Group found that it was reliant upon third party cash terminals to receive payments from its customers and thus faced counterparty credit risk. OPPA offers an exclusive payment service to the Group's Georgian electricity supply customers through its network of over 6,100 payment terminals. In the year ended 31 December 2017, these terminals served up to 280,000 customers in Georgia a day. The payment collections services provided by OPPA have resulted in improved cash collections for the Group, with more than 42 per cent. of customer payments made through OPPA terminals in the year ended 31 December 2017.

In addition to EP Georgia, OPPA provides payment services to approximately 250 third-party clients across Georgia.

OPPA is not a Guarantor in respect of the Notes.

Turkey

Through the Issuer's subsidiaries in Turkey, the Group operates the following businesses:

- electricity generation through Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. ("**RH Turkey**"); and
- electricity trading and supply of electricity to wholesale customers through ENERGO-PRO Güney Elektrik Töptan Satış İth. İhr. ve Tic. A.Ş. ("**EP Top**").

Turkey provides the Group with an attractive hydropower market in which to operate. Hydropower is a primary domestic source of electricity within Turkey, accounting for 34 per cent. of the country's installed generation capacity. Hydropower benefits from a renewable energy resources support mechanism ("**YEKDEM**") that provides a guaranteed price which is linked to the U.S. dollar price for the electricity generated by the Group's Turkish HPP assets. As at the date of these Listing Particulars, more than 50 per cent. of Turkey's installed HPP generation capacity is state owned. The Group considers Turkey to be a growth area for the business, with potential for further expansion through the acquisition of high quality HPP assets, as a result of ongoing privatisation in the state generation sector.

The table below provides an overview of the Group's Turkish operations' financial performance in the years ended 31 December 2016 and 2015:

(EURmm)	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenue	EBITDA	Revenue	EBITDA
RH Turkey.....	57.5	30.8	43.3	24.5
EP Top.....	13.7	0.1	17.5	(0.1)
Turkey Total	59.8	30.8	51.8	24.4

All financial figures are based on stand-alone financials. Turkey Total Revenue is based on group's consolidation, i.e. excluding intercompany trading.

Turkey's Electricity Market Supply Chain consists of five segments, as shown below:

Generation*	Transmission	Wholesale*	Distribution	Supply
<ul style="list-style-type: none"> •EÜAŞ (Public generation company) •BO-BOT-TOR Generation companies •Private Generation Companies 	<ul style="list-style-type: none"> •TEİAŞ (Public Transmission Company) as transmission system operator 	<ul style="list-style-type: none"> •Private wholesale companies (wholesale / retail supplier) •TETAŞ (Public wholesale company) 	<ul style="list-style-type: none"> •21 private distribution companies 	<ul style="list-style-type: none"> •21 private retail companies (supply company in charge - last resort supply)

* Segments in which the Group companies are active

For a description of these market segments and an overview of the Turkish electricity market, see "*Regulation—Regulation in Turkey*".

Generation of Electricity - Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.

RH Turkey is a wholly owned subsidiary of the Issuer. The main activities of RH Turkey involve operating five HPPs and selling the electricity produced through those plants on the regulated market. RH Turkey has a total installed capacity of 95 MW, representing 0.4 per cent. of Turkey's total installed HPP generation capacity. As part of the Group's growth strategy, RH Turkey aims to expand its HPP operations through the acquisition of high quality assets with proven EBITDA, and to become a significant generator of hydropower in the Turkish electricity market.

The table below sets forth certain information relating to the RH Turkey's generation assets as at 31 December 2017 and its generation data for the years ended 31 December 2017, 2016 and 2015:

Facility name	Type	COD	Installed capacity (MW)	Tariff	Tariff expiry	Electricity generated (GWh)		
						2015	2016	2017
Resadiye I.....	Run-of-the river	2010	16.0	FiT	2020	113	113	74
Resadiye II.....	Run-of-the river	2010	26.7	FiT	2020	182	201	120
Resadiye III.....	Run-of-the river	2009	22.9	FiT	2020	157	162	98
Hamzalı.....	Run-of-the river	2008	17.0	FiT	2019	80	92	87
Aralık.....	Run-of-the river	2010	12.4	FiT	2020	48	62	52
Total.....	n/a	n/a	95.0	n/a	n/a	581	630	434

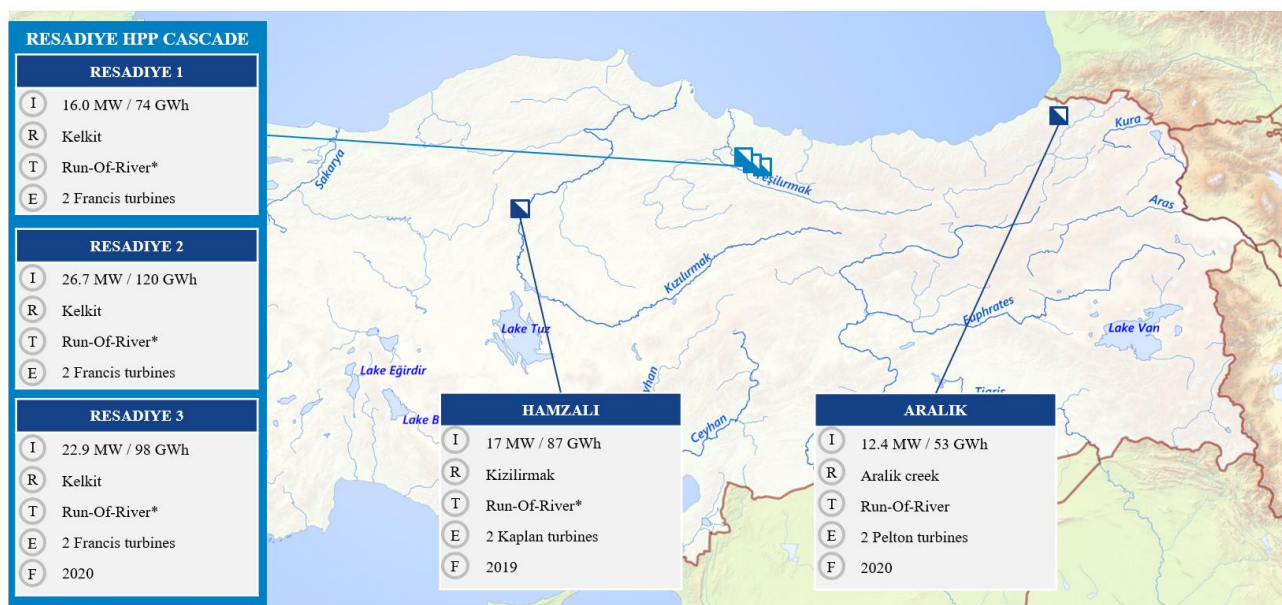
RH Turkey's generation assets are owned and operated by the Group. As a private generation company, RH Turkey's licence is valid for 49 years. After such term, RH Turkey may apply to EMRA to renew the licence, and the decision on renewal will be made by EMRA. In practice, it is likely that RH Turkey's generation assets will be transferred to the state in 2055.

In Turkey, generation of electricity from renewable sources is supported via a FiT, which applies to newly built HPPs that are run-of-the-river and have a reservoir area below 15km². All five of the RH Turkey HPPs are eligible for the guaranteed tariff, which is applicable for the first 10 years of operation for sources commissioned prior to 31 December 2020. The FiT is fixed at U.S.\$73 per MWh. The Group's Turkish HPPs are due to leave the FiT regime between 2019 and 2020. Once this happens, the Group's generated electricity will be sold at free market prices to eligible customers, through bilateral contracts or in the balancing market. Since January 2015, free market electricity prices have been lower than FiT prices and as such, the Group has elected for each of its eligible HPPs to be part of YEKDEM.

In addition, RH Turkey is able to participate in the balancing market in some periods, particularly during the summer and winter, when balancing activities provide a good source of incremental revenue. Through balancing activities, RH Turkey has the opportunity to sell electricity in the balancing power market, which is used to balance demand and supply at real-time. The balancing power market is operated by the system operator, EPIAŞ. Based on the merit order list, EPIAŞ issues up/down regulations to balancing group coordinators such as RH Turkey, either ordering an increase or a decrease in production. If an up regulation is issued to RH Turkey, it is able to sell the increase in production at a rate higher than the day ahead market price ("DAMP").

Through EP Top, the Group is actively seeking to establish long term agreements with large customers in the region to limit the impact of the Turkish HPPs' transition to the free market. Furthermore, the Group has a growing eligible customer portfolio and is committed in taking advantage of trading opportunities, such as entering into long term contracts in order to manage energy prices volatility.

The following map shows the Group's HPPs in Turkey as at the date of these Listing Particulars.



Legend: I – installed capacity and 2017 annual generation; R – river; T – type of the HPP (with reservoir or run-of-river); E – # of turbines + type of turbine; F – end of feed-in tariff period (for Resadiye it applies to all HPPs in Resadiye cascade)

* Except for Aralik HPP, all hydro power plants are located downstream of reservoirs

The Group estimates the long-term average electricity generation of its Turkish HPPs to amount to approximately 580 GWh. RH Turkey generated 434 GWh of electricity during the year ended 31 December 2017, compared to 630 GWh of electricity during the year ended 31 December 2016. The decrease in generation was mainly attributable to adverse hydrology conditions in the year ended 31 December 2017. All of RH Turkey's generated electricity is sold directly to EPIAŞ as the YEKDEM customer.

RH Turkey is a Guarantor of the Notes.

Electricity Trading - ENERGO-PRO Güney Elektrik Toptan Satış İth. İhr. ve Tic. A.Ş.

EP Top activities are focused on electricity trading, on electricity supply to wholesale customers in the Turkish energy market and on importing electricity to Turkey. In 2017 EP Top sold 44 MWh to eligible customers, 98 GWh to RH Turkey, 33 GWh to other trading companies (under the bilateral agreements) and exported 4 GWh of electricity to Bulgaria. EP Top sourced electricity from bilateral agreements (134.9 GWh) and from PMUM (120 MWh). The Group expects that EP Top will assume a more significant role in the Group's operations once RH Turkey's HPP assets leave the FiT regime, as it will act as the primary supplier of the RH Turkey's generated electricity, selling directly to eligible customers or other energy companies in Turkey.

Electricity trading has evolved significantly during the development of the Turkish Electricity Market. Market players, including generation, wholesale and retail companies, engage in trading agreements in the Day-Ahead Market and Balancing Power Market. These companies also make use of other trading features to manage their risks for electricity price volatility. These include:

- **Bilateral contracts:** bilateral agreements can be signed between any market participant. Contract clauses can be discussed between the parties privately as these contracts are not regulated. The total traded volume in bilateral agreements has reached 304 TWh in 2017.
- **Import/export contracts:** wholesale companies have the right to conduct cross-border electricity trade. Currently, Turkey has interconnections with Greece, Bulgaria, Syria, Iran, Georgia, Armenia, Azerbaijan and Iraq. Based on preliminary figures, in 2017, Turkey imported a total sum of 2.7 TWh of electricity and exported a volume of 3.3 TWh. The net electricity export of Turkey in 2017 totalled 0.6 TWh.
- **The Over-The-Counter (OTC) market in Turkey:** this market has recently proven to be increasingly attractive to participants as it has exhibited a growth in trading activities, signalling a promising liquidity source for the future.

EP Top is not a Guarantor in respect of the Notes.

Czech Republic

Megawatt Servis s.r.o

The main activities of Megawatt Servis, s.r.o. ("**MGW**") are consultancy in the hydro energy sector and the assembling of hydro technical facilities. MGW's activities are predominantly carried out within the Group, in particular in respect of the Group's HPP rehabilitation in Georgia.

MGW is not a Guarantor in respect of the Notes.

CAPITAL EXPENDITURE

In light of the long asset life of the HPPs it operates, the Group benefits from low HPP capital expenditure requirements, enabling it to invest in other areas of its business. The Group's capital expenditure strategy thus involves a prudent allocation of resources towards distribution assets. At the same time, the Group's maintenance capital expenditure strategy aims to allocate necessary funds to preserve the efficiency and the stability of the assets it operates.

In the year ended 31 December 2016, the Group invested EUR36.8 million in capital expenditure (representing 22.5 per cent. of consolidated EBITDA), as compared to EUR34.7 million (representing 29.2 per cent. of consolidated EBITDA) in the year ended 31 December 2015. Over the four year period ended 31 December 2016, 55 per cent. of the Group's capital expenditure was invested in EP Georgia, where the Group invested heavily in its low voltage distribution network through its re-metering programme. Over the same period, 26 per cent. of the Group's capital expenditure was invested in EP Varna's Bulgarian distribution network.

Whilst the Group's HPP assets do not require significant capital expenditure, the Group has invested in HPPs that operate within a RAB based regulatory regime. By directing investment towards these assets, the Group is able to increase its RAB, which results in higher tariffs and greater EBITDA for the Group. Over the four year period ended 31 December 2016, the Group invested EUR30 million in its HPPs, with these funds largely responsible for funding the Group's rehabilitation programme in Bulgaria and Georgia.

Over the four year period ended 31 December 2016, 9 per cent. of the Group's capital expenditure was invested in its Turkish operations.

In the future, the Group expects to continue investing in its distribution networks, looking to further reduce technical grid losses, as well as funding a general rehabilitation of its HPPs. The Group expects to fund the majority of its future capital expenditure from internally generated cashflow.

Capital expenditure is expected to average approximately EUR61 million per year for each of the next five years, of which approximately EUR50 million is expected to relate to rehabilitation and distribution network improvements. The Group has significant flexibility with regards to its discretionary capital expenditure. However, no assurance can be given as to the actual amounts or timing of capital expenditure that may be incurred in future periods.

INDEBTEDNESS AND CONTINGENT LIABILITIES OF THE GROUP

As at 30 June 2017, the Group had outstanding indebtedness of EUR472 million (which was represented by loans and borrowings of EUR471.8 million and lease payables of EUR0.2 million).

On 7 December 2017, the Issuer issued the 2022 Notes. The proceeds from the issue of the 2022 Notes were used by the Group (i) for the repayment of existing Group indebtedness amounting to approximately EUR230 million, (ii) to make a payment or payments to, or on behalf of, DK Holding Investments s.r.o. up to an aggregate amount of EUR100 million, (iii) for the payment of fees and expenses related to the issue of the 2022 Notes and of breakage costs and other early redemption related expenses with respect to the Group indebtedness being repaid, and (iv) for general corporate purposes.

The following capitalisation table sets out the Group's indebtedness (excluding lease payables) as at 30 June 2017 on an actual and *pro forma* basis, reflecting the issuance of the 2022 Notes. In addition, it sets out the Group's estimated indebtedness (excluding lease payables) as at 31 December 2017 on an actual and *pro forma* basis, reflecting the issuance of the Notes.

(EUR millions)	Lender	Debt as at 30 June 2017 (Actual) ¹	Pro forma adjusted for the 2022 Notes	Debt as at 31 December 2017 (Estimated) ¹	Pro forma adjustments for the Notes	Pro forma adjusted for the Notes	% of total	x EBITDA LTM to 1H17 ² €123.5m
EP Bulgaria	CEB	52.8	52.8	50.6	(50.6)	-	-	-
EP Varna ³	Local bonds	109.9	-	-	-	-	-	-
EP Varna	Eurobank BG	20.0	-	-	-	-	-	-
EP Varna	DSK Bank	-	-	0.8	-	0.8	0%	0.0x
EP Georgia	CEB	40.3	-	-	-	-	-	-
EPG Generation	CEB	29.9	-	-	-	-	-	-
gPower	CEB	17.0	-	-	-	-	-	-
RH Turkey	CEB	134.4	134.4	123.3	(123.3)	-	-	-
EP Georgia	Local banks	47.0	47.0	44.6	(44.6)	-	-	-
OPPA	Local banks	0.6	0.6	-	-	-	-	-
Total subsidiary debt		451.9	234.8	219.4	(218.5)	0.8	0%	0.0x
ENERGO-PRO a.s.	PPF Banka	10.0	10.0	10.0	(10.0)	-	-	-
ENERGO-PRO a.s.	Dolnolabské elektrárny a.s. Sloane Park Property Trust	3.8	3.8	3.9	(3.9)	-	-	-
ENERGO-PRO a.s.	H.B.	11.5	-	-	-	-	-	-
ENERGO-PRO a.s.	2022 Notes	-	370.0	370.0	-	370.0	60%	3.0x
ENERGO-PRO a.s.	Notes	-	-	-	250.0 ⁴	250.0	40%	2.0x
TOTAL GROSS DEBT		477.2	618.6	603.3	17.6	620.8	100%	5.0x
IFRS adj. & accrued int.		(5.4)	-	-	-	-	-	-
As reported		471.8	-	-	-	-	-	-
Cash		43.4	43.4	42.8	(8.2)	34.6	6%	0.3x
TOTAL NET DEBT		433.8	575.2	560.5	-	586.3	94%	4.7x

¹ Outstanding principal balances only, excluding accrued interest and IFRS adjustments.

² Calculated as EBITDA 1H 2017 + EBITDA FY 2016 – EBITDA 1H 2016.

³ All remaining bonds issued by EP Varna were held within the Group.

⁴ The table assumes that EUR250 million of Notes are issued. The actual amount of Notes issued may differ from this amount.

Note: Excludes contingent obligations under guarantees issued by the Issuer in favour of Akbank (for U.S.\$166 million facility for the Karakurt project in Turkey (see below), U.S.\$40.9 million drawn as of 30 June 2017 and U.S.\$58 million drawn as of 31 December 2017) and a consortium of banks (for EUR8 million revolving facility for Litostroj Power d.o.o., guarantee for 50 per cent. of drawn amount, EUR3.9 million drawn as of 30 June 2017 and EUR6 million drawn as of 31 December 2017).

Debt that will be repaid through the use of proceeds

EP Bulgaria Czech Export Bank Facility

The facility agreement was entered into on 27 September 2012 between, *inter alios*, EP Bulgaria as borrower and Česká exportní banka, a.s. as the lender.

In connection with the facility, the borrower and the Issuer executed a number of pledges and delivered blank promissory notes by way of security.

As at 31 December 2017, EUR50.6 million remained outstanding under the facility. The facility will be repaid in full from the proceeds of the issuance of the Notes.

RH Turkey Czech Export Bank Facility

The facility agreement was entered into on 12 April 2010 between, *inter alios*, RH Turkey as borrower and Česká exportní banka, a.s. as the lender.

In connection with the facility, the borrower and the Issuer executed a number of pledges and delivered blank promissory notes by way of security.

As at 31 December 2017, EUR123.3 million remained outstanding under the facility. The facility will be repaid in full from the proceeds of the issuance of the Notes.

PPF Banka Facility

The facility agreement was entered into on 22 December 2016 between the Issuer (as borrower) and PPF banka a.s. (as lender). As at 31 December 2017, EUR10 million was drawn down under the facility. The facility is secured by the pledge of shares, immovable and movable assets of ENERGO-PRO MVE, s.r.o. (a related company of the Issuer) as collateral. The facility will be repaid in full from the proceeds of the issuance of the Notes.

Dolnolabské elektrárny a.s. Facility

The facility agreement was entered into on 25 March 2014 between the Issuer (as borrower) and Dolnolabské elektrárny a.s. (as lender). As at 31 December 2017, EUR3.9 million was drawn under the facility. The facility will be repaid in full from the proceeds of the issuance of the Notes.

Local Bank Facilities in Georgia

EP Georgia enters, from time to time, into short-term credit facilities with local banks in Georgia including, *inter alia*, TBC Bank, PASHA Bank Georgia, Isbank Georgia and VTB Bank (Georgia). As at 31 December 2017, approximately EUR45 million was outstanding under such short-term facilities. The facilities will be repaid in full from the proceeds of the issuance of the Notes.

Contingent liabilities of the Group that will not be extinguished through the use of proceeds

Karakurt Facility

The facility agreement was entered into on 29 June 2016 between Bilsev Enerji Üretim Ve Ticaret A.Ş. as borrower, ENERGO-PRO Turkish Development s.r.o. as shareholder, the Issuer as guarantor and AKBANK T.A.Ş. as lender. The facility is being used in the construction of the Karakurt dam in Turkey.

In connection with this facility, the Issuer has provided a guarantee and certain other undertakings to the lender. As at 31 December 2017, U.S.\$58 million was drawn under this facility and the maturity date is in 2026.

In connection with this facility, the Issuer has also entered into an equity support deed pursuant to which it is obliged to contribute equity for the development of the project through DK Holding Investments s.r.o. as the indirect shareholder of the borrower, Bilsev Enerji Üretim Ve Ticaret A.Ş. This equity funding relates primarily to a contribution towards construction costs in the amount of 37.5 per cent. of the amount of each drawdown under the facility and to any construction cost overruns.

Litostroj Power, d.o.o. Club Facility

The Issuer has issued a guarantee in favour of a club of banks in connection with a EUR8 million revolving facility for Litostroj Power, d.o.o. The guarantee is for 50 per cent. of the drawn amount. As at 31 December 2017, EUR6 million was drawn under this facility.

RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. The Group's related party transactions are described in note 6 to the Group's consolidated financial information for the years ended 2015 and 2016.

The shareholder of DK Holding Investments s.r.o has structured the wider group so that the Issuer and its subsidiaries are focused on the generation and distribution of electricity while other companies within the wider group are engaged in development activities (e.g. in respect to the construction of the Karakurt dam project) or related support businesses (e.g. ENERGO-PRO Industries s.r.o).

INFORMATION TECHNOLOGY

The Group's IT systems support the technological processes within the Group, such as remote grid management, meter reading and power outage management as well as the Group's business and revenue generating processes, such as billing, and payments.

The Group's information systems are managed by its IT department. The development and implementation of applications is aimed at providing support to the business processes and operations through the provision of an integrated and centralised system. Business data is backed up on a daily basis and the Group's IT rules and processes for its IT infrastructure, networking, system implementation and support are consistent with industry best practice and methodologies. The Group's information systems comply with all applicable regulations in the jurisdictions in which it operates.

INSURANCE

The Group maintains comprehensive insurance cover in respect of property damage under an insurance scheme with Union Generali Insurance AD, Bulstrad Vienna Insurance Group and ZK UNIQA AD. This cover includes, but is not limited to, fire, explosion, lightning, wind storms, hurricanes, vandalism, malicious damage, riots, strikes, locked-out workers, labour disturbances, civil unrest, electrical damage and theft.

Other than in respect of EP Georgia and EP Varna, the Group carries insurance for business interruption. The Group's Turkish operations are insured against terrorism, however this cover does not apply to other areas of the Group as maintaining such insurance cover is not considered to be economically efficient.

EP Group maintains comprehensive general liability policies under the insurance scheme which provide cover against legal liability for causing any accidental bodily injury or death to third parties or damage to their property, as well as cover for environmental liability. The maximum insurance cover is EUR1 million, which is considered sufficient given the relatively low risk profile of the Group's operations.

SHAREHOLDERS

The Issuer is wholly owned by DK Holding Investments s.r.o, which in turn is wholly owned by Mr. Tesař. As at the date of these Listing Particulars the registered share capital of the Issuer equals CZK 95,000,000 (approximately EUR3,650,000) and is fully paid up. As at the date of these Listing Particulars the entire share capital the Issuer is represented by 380 ordinary, registered and certified shares, each with a par value of CZK 250,000 and carrying one vote and a right to dividends.

Each of the Guarantors is wholly owned by the Issuer. As at the date of these Listing Particulars:

- EP Georgia's total authorised share capital consists of 5,501 thousand shares of GEL 1 per share. Issued and paid up shares comprise of GEL 5,501 thousand. Each ordinary share carries one vote;
- EPG Generation's total authorised share capital consists of 15,000 thousand shares of GEL 1 per share. Issued and paid up shares comprise of GEL 15,000 thousand. Each ordinary share carries one vote;
- EP Varna's registered share capital equals BGN35,791,888 (approximately EUR18,298,511) and is fully paid up. The entire share capital is represented by 35,791,888 ordinary, dematerialised shares, each with a par value of BGN1 and carrying one vote and a right to dividends; and
- RH Turkey's registered share capital consists of 175,668,000 shares each with the nominal value of TRY 1. The entire share capital is fully paid up. Each ordinary share carries one vote.

Dividend policy

The Issuer does not have a strict dividend policy and the Issuer is not under any obligation to make distributions to fund the projects of its affiliated entities.

MANAGEMENT OF THE ISSUER AND THE GUARANTORS

THE ISSUER

The Issuer has a two-tier management system consisting of a Board of Directors and a Supervisory Board. The Board of Directors is responsible for management of the Issuer's business and operations and its members represent the Issuer in all matters, while the Supervisory Board is an independent body that oversees the activities of the Board of Directors. Under the Czech Companies Act and the Issuer's Articles of Association, the Supervisory Board may not make management decisions, these being reserved for the Board of Directors.

The powers and responsibilities of members of the Board of Directors and the Supervisory Board are set forth in detail in the Czech Companies Act and the Issuer's Articles of Association.

Board of Directors

Set out below are details regarding the members of the Board of Directors:

Name	Title
Jaromír Tesař	Chairman
Petr Tesař	Director
Pavel Váňa	Director

Jaromír Tesař - Chairman

Jaromír Tesař is the Chairman of the Board of Directors of the Issuer. Mr. Tesař joined the Group upon its incorporation. His principal activities outside of the Group are: executive and sole shareholder of DK Holding Investments s.r.o.; member of the board of directors of Dolnolabské elektrárny a.s.; executive of ENERGO-PRO Assets Turkey s.r.o.; executive of ENERGO-PRO Hydro Development s.r.o.; executive of ENERGO-PRO MVE s.r.o.; executive of ENERGO-PRO Turkish Development s.r.o.; executive of TAKEDAKODON s.r.o.; and general managers and sole shareholder of Terestra - Bulgaria EOOD.

Petr Tesař - Director

Petr Tesař is a member of the Board of Directors of the Issuer. Mr. Tesař joined the Group in 2002. His principal activities outside of the Group are: member of the board of directors of ČKD Blansko Engineering a.s.; member of the board of directors of Dolnolabské elektrárny a.s.; executive of ENERGO-PRO Assets Turkey s.r.o.; executive of ENERGO-PRO Hydro Development s.r.o.; and executive of ENERGO-PRO Turkish Development s.r.o.

Pavel Váňa - Director

Pavel Váňa is a member of the Board of Directors of the Issuer. Mr. Váňa joined the Group in 2007. His principal activities outside of the Group are: member of the board of directors of ČKD Blansko Engineering a.s.; executive of ENERGO-PRO Assets Turkey s.r.o.; executive of ENERGO-PRO Hydro Development s.r.o.; executive of ENERGO-PRO Industries s.r.o.; executive of ENERGO-PRO MVE s.r.o.; executive of ENERGO-PRO Turkish Development, s.r.o.

The business address of each of the Directors of the Issuer is Na poříčí 1079/3a, Nové Město, Postal Code 110 00, Prague 1.

There are no actual or potential conflicts of interest between the duties to the Issuer of the members of the Board of Directors listed above and their private interests or other duties.

Supervisory Board

The Articles of Association provide that the Supervisory Board comprises two members. Pursuant to the Czech Companies Act and the Articles of Association, all members of the Supervisory Board are elected by the General Meeting (sole shareholder).

There are no committees of the Supervisory Board.

Set out below are details regarding the members of the Supervisory Board:

Name	Title
Vlastimil Ouřada	Chairman
Petr Zafirov Milev	Member

Vlastimil Ouřada – Chairman of the Supervisory Board

Vlastimil Ouřada is the Chairman of the Supervisory Board. Mr. Ouřada joined the Group in 2013. His principal activities outside of the Group are: member of the supervisory board of Dolnolabské elektrárny a.s.; and executive of ENERGO-PRO Industries s.r.o.

Petr Zafirov Milev - Member of the Supervisory Board

Petr Zafirov Milev is a member of the Supervisory Board. Mr. Milev joined the Group in 2013. His principal activities outside of the Group are: member of the supervisory board of ČKD Blansko Engineering a.s.; executive of InkWater Capital Management s.r.o.; member of the supervisory board of OZT-OBCHODNÍ ZAŘÍZENÍ TOUŽIM a.s.; and executive of Prime Media Investments s.r.o.

The business address of each of the members of the Supervisory Board of the Issuer is Na poříčí 1079/3a, Nové Město, Postal Code 110 00, Prague 1.

Corporate Governance

The Issuer fully complies with all requirements regarding corporate governance stipulated under Czech law, including the Czech Civil Code and the Czech Companies Act. The Issuer is beneficially owned and controlled by Mr. Tesař. The rights of Mr. Tesař as a shareholder in the Issuer are contained in the Issuer's Articles of Association and the Issuer will be managed in accordance with those articles and with the provisions of Czech law.

EP GEORGIA

EP Georgia has a two-tier management system consisting of a General Director and a Supervisory Board. The General Director is responsible for management of the EP Georgia's business and operations and represents EP Georgia in all matters, while the Supervisory Board is a corporate body that oversees the activities of the General Director.

The powers and responsibilities of the General Director and the Supervisory Board are set forth in detail in the Law of Georgia on Entrepreneurs and EP Georgia's Articles of Association.

Set out below are details regarding the General Director:

Mikheil Botsvadze - General Director

Mikheil Botsvadze is the General Director. He was appointed to the position on 6 August 2015.

The business address of the General Director is 19 Zurab Anjaparidze Street, 0186 Tbilisi, Georgia.

There are no actual or potential conflicts of interest between the duties to EP Georgia of the General Director and his private interests or other duties.

Supervisory Board

The Articles of Association provide that the Supervisory Board comprises three members. Pursuant to EP Georgia's Articles of Association, all members of the Supervisory Board are elected by the General Meeting of Shareholders.

Set out below are details regarding the members of the Supervisory Board:

Name	Title
Jaromír Tesař	Chairman
Petr Tesař	Deputy Chairman
Vlastimil Ouřada	Member

Jaromír Tesař - Chairman

Jaromír Tesař is the Chairman of the Supervisory Board. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Petr Tesař - Deputy Chairman

Petr Tesař is the Deputy Chairman of the Supervisory Board. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Vlastimil Ouřada - Member

Vlastimil Ouřada is a member of the Supervisory Board. Further information about Mr. Ouřada can be found above with the management information of the Issuer.

Corporate Governance

EP Georgia fully complies with all requirements regarding corporate governance stipulated under the Law of Georgia on Entrepreneurs.

EPG GENERATION

EPG Generation has a two-tier management system consisting of a General Director and a Supervisory Board. The General Director is responsible for management of EPG Generation's business and operations and represents EPG Generation in all matters, while the Supervisory Board is a corporate body that oversees the activities of the General Director.

The powers and responsibilities of the General Director and the Supervisory Board are set forth in detail in the Law of Georgia on Entrepreneurs and EPG Georgia's Articles of Association.

Set out below are details regarding the General Director:

Mikheil Botsvadze - General Director

Mikheil Botsvadze is the General Director. He was appointed to the position on 23 December 2016.

The business address of the General Director is 19 Zurab Anjaparidze Street, 0186 Tbilisi, Georgia.

There are no actual or potential conflicts of interest between the duties to EPG Generation of the General Director and his private interests or other duties.

Supervisory Board

The Articles of Association provide that the Supervisory Board comprises three members. Pursuant to EPG Generation's Articles of Association, all members of the Supervisory Board are elected by the General Meeting of Shareholders.

Set out below are details regarding the members of the Supervisory Board:

Name	Title
Jaromír Tesař	Chairman
Petr Tesař	Deputy Chairman
Vlastimil Ouřada	Member

Jaromír Tesař - Chairman

Jaromír Tesař is the Chairman of the Supervisory Board. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Petr Tesař - Deputy Chairman

Petr Tesař is the Deputy Chairman of the Supervisory Board. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Vlastimil Ouřada - Member

Vlastimil Ouřada is a member of the Supervisory Board. Further information about Mr. Ouřada can be found above with the management information of the Issuer.

Corporate Governance

EPG Generation fully complies with all requirements regarding corporate governance stipulated under the Law of Georgia on Entrepreneurs.

EP VARNA

EP Varna has a two-tier management system consisting of a Management Board and a Supervisory Board. The Management Board is responsible for management of EP Varna's business and operations and its members represent EP Varna in all matters, while the Supervisory Board is an independent body that oversees the activities of the Management Board. Under the Bulgarian Commerce Act and the Articles of Association of EP Varna, the Supervisory Board may not make management decisions, these being reserved for the Management Board.

The powers and responsibilities of members of the Management Board and the Supervisory Board are set forth in detail in the Bulgarian Commerce Act and the Articles of Association of EP Varna.

Management Board

Set out below are details regarding the members of the Management Board:

Name	Title
Momchil Ivanov Andreev	Chairman and Executive Director
Stefan Todorov Abadzhiev	Executive Director
George Korshia	Executive Director

Momchil Ivanov Andreev - Chairman

Momchil Ivanov Andreev is the Chairman of the Management Board. Mr. Andreev joined the Group in 2015. His principal activities outside of the Group are being general manager and sole shareholder of MIA EOOD.

Stefan Todorov Abadzhiev – Executive Director

Stefan Todorov Abadzhiev is an Executive Director and member of the Management Board. Mr. Abadzhiev joined the Group in 2012. His principal activities outside of the Group are: general manager and sole shareholder of Arkadium

EOOD; general manager and sole shareholder of Arkadium Arts EOOD; general manager and sole shareholder of Velestovo EOOD; and chairman of Foundation Serdika.

George Korshia – Executive Director

George Korshia is an Executive Director and member of the Management Board. Mr. Korshia joined the Group in 2007.

The business address of each of the directors of EP Varna is 258, Vladislav Varnenchik blvd., Tower G, Varna Towers, Varna, Bulgaria.

There are no actual or potential conflicts of interest between the duties to EP Varna of the members of the Management Board listed above and their private interests or other duties.

Supervisory Board

The Articles of Association provide that the Supervisory Board comprises three to five members. Pursuant to the Bulgarian Commerce Act and the Articles of Association of EP Varna, all members of the Supervisory Board are elected by the Sole Shareholder.

Set out below are details regarding the members of the Supervisory Board:

Name	Title
Petr Zafirov Milev	Chairman
Vlastimil Ouřada	Vice-Chairman
Rada Ivanova Peeva	Member

Petr Zafirov Milev - Chairman

Petr Zafirov Milev is the Chairman of the Supervisory Board. Further information about Mr. Milev can be found above with the management information of the Issuer.

Vlastimil Ouřada - Vice-Chairman

Vlastimil Ouřada is the Vice-Chairman of the Supervisory Board. Further information about Mr. Ouřada can be found above with the management information of the Issuer.

Rada Ivanova Peeva - Member

Rada Ivanova Peeva is a member of the Supervisory Board. Mr. Peeva joined the Group in 2006.

Corporate Governance

EP Varna fully complies with all requirements regarding corporate governance stipulated under Bulgarian law, including the Bulgarian Commerce Act.

RH TURKEY

RH Turkey is managed by its Board of Directors. In accordance with the Articles of Association of RH Turkey, the Board shall consist of at least one and at most three members who are elected by the sole shareholder, i.e. the Issuer.

Set out below are the details regarding the board members:

Board of Directors

Set out below are details regarding the members of the Board of Directors:

Name	Title
Jaromír Tesař	Chairman
Petr Tesař	Vice Chairman
Pavel Váňa	Director

Jaromír Tesař - Chairman

Jaromír Tesař is the Chairman of the Board of Directors of RH Turkey. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Petr Tesař - Vice Chairman

Petr Tesař is the Vice Chairman of the Board of Directors of RH Turkey. Further information about Mr. Tesař can be found above with the management information of the Issuer.

Pavel Váňa - Director

Pavel Váňa is a member of the Board of Directors of RH Turkey. Further information about Mr. Váňa can be found above with the management information of the Issuer.

RH Turkey fully complies with all requirements regarding corporate governance stipulated under Turkish law.

EMPLOYEES / LABOUR RELATIONS

The number of employees of the Group as at 31 December 2016 and 31 December 2015 was 8,265 and 8,192 respectively. Following the acquisition of the Kakheti distribution network, the Group took on a further 762 employees.

As at the date of these Listing Particulars, approximately 43 per cent. of the Group's workforce belonged to a union. In the past two years, the Group has not experienced any strikes or labour disputes.

REGULATION

Regulation in Bulgaria

Activities of the Group in Bulgaria

The business operations of the Issuer's operating subsidiaries in Bulgaria are subject to supervision by a regulatory body – the EWRC. Other than the Group's HPPs with an installed capacity of less than 5MW, all of the Group's Bulgarian activities are subject to licensing. In Bulgaria, the Group operates in both the regulated and the free market.

European legislative framework in relation to the energy sector

By virtue of its membership in the European Union ("EU"), Bulgaria is required to adhere to the EU energy legislation. Considering the activities of the Group in Bulgaria, the relevant EU legislation includes the Third Energy Liberalisation Package ("TELP") adopted in 2009 by the European Commission (including the Electricity Directive – Directive 2009/72/EC) and the EU Renewable Energy Directive – Directive 2009/28/EC.

The TELP was designed to complete the liberalisation of the electricity market within the EU. Its aim is the creation of a market with high standards of public service and consumer protection that allows customers to freely choose their suppliers, a structural separation of generation, transmission and supply activities ("**unbundling**") and the establishment of independent national energy regulators. The TELP was also designed to encourage the cross-border trading of electricity.

The EU Renewable Energy Directive aims to promote energy generation from renewable energy sources. The Directive regulates support schemes, which EU Member States shall implement into their national legislation. The schemes include preferential prices, priority or guaranteed access to grids, and priority dispatching of renewable energy.

Implementation of the European legislative framework in Bulgaria

The TELP has been implemented in Bulgaria via a number of amendments to the Energy Act, published in State Gazette, issue 107, dated 9 December 2003, as amended and supplemented ("**Energy Act**") and the secondary national legislation, which have resulted into many changes to the electricity market, the main ones including:

- The completion of the unbundling process in 2006, as evidenced by the separation of the Group's generation, supply and distribution businesses into separate legal entities;
- The creation of an open market approach in the management of grids, including the provision of equal access to the grid;
- The independence of the energy regulator – the EWRC, was enhanced through changes in the legislative framework;
- New measures regarding household consumers of electricity have been introduced which are expected to allow households to benefit from the advantages of the liberalised market by enabling them to easily change their suppliers.

The EU Renewable Energy Directive has been implemented in Bulgaria through changes to the Energy Act, the adoption of a separate renewable energy law (currently, the Energy from Renewable Sources Act, published in State Gazette, issue 35, dated 3 May 2011, as amended and supplemented ("**ERSA**") and the adoption of specific secondary national legislation. In 2013, Bulgaria reported to the European Commission the achievement of its 2020 target share of renewable energy in the end consumption – 16 per cent. As at the date of these Listing Particulars, no new target has been set. As a result, in 2015 ERSA was amended to discontinue the application of renewable energy incentives with respect to new energy generation facilities (with some exceptions such as small rooftop PV installations, certain biomass installations, etc.). The incentives for already operational installations remained in force and still apply.

Bulgarian legislative framework in relation to the energy sector

The Bulgarian energy sector is governed by a wide range of regulations. The key law governing the energy sector is the Energy Act which regulates, among other things, electricity generation; electricity import, export and transmission; the distribution of electricity; trade in electricity; and the powers of state bodies in formulating energy policy, regulation and control. It lays down regulations upon which energy policies and strategies are undertaken and allows energy activities to be undertaken both on the open market and as a public service.

ERSA is the other primary legislation, which is important for the Group's Bulgarian activities, in particular electricity generation where installed capacities of HPPs are up to 10 MW, as these HPPs benefit from a FiT. ERSA is also compliant with the requirements of the European legislation. Further, the European Commission has granted a state aid

clearance to the Bulgarian scheme for support for renewable energy generation. On 4 August 2016, the European Commission took a decision¹ not to raise objections against the scheme.

In addition, a significant part of secondary energy legislation in Bulgaria is also compliant with European requirements. This legislation relates to licensing, price regulation, electricity metering, electricity trading and transmission. The main acts of secondary legislation that are relevant to the Group's activities are:

- Ordinance No 1, dated 14 March 2017, on the regulation of electricity prices, adopted by EWRC, published in State Gazette, issue 25, dated 24 March 2017 (the "**Pricing Ordinance**");
- Ordinance No 3, dated 21 March 2013, on the licencing of energy activities, adopted by EWRC, published in State Gazette, issue 33, dated 5 April 2013;
- Electricity Trading Rules, adopted by EWRC, published in State Gazette, issue 66, dated 26 July 2013, as amended and supplemented.

Regulation of activities in the energy sector

The EWRC is the Bulgarian national independent regulatory authority for energy. It is a specialised State body that regulates activities in the energy, water supply and sewage sectors. EWRC's main responsibilities in the energy regulation are:

- the issue, revision, amendment, termination and withdrawal of licences;
- adoption of secondary legislation;
- approval of general terms of contracts in the energy sector;
- control of licensees' activities in the energy sector;
- regulation of prices;
- adoption and supervision of rules for trade and technical rules for networks in the energy sector; and
- adoption and control over the implementation of price setting methodology.

The other State authorities, which have powers in the energy sector are:

- The Parliament: the Parliament is the Bulgarian legislator. It adopts, amends and abolishes laws. The Parliament approves the national Energy Strategy. Additionally, since 2015 the Parliament elects the members of the EWRC;
- The Minister of Energy: the Minister of Energy implements the State policy in the energy sector;
- The Independent Bulgarian Energy Exchange ("**IBEX**"): in 2016, the IBEX was appointed by the EWRC as the Bulgarian nominated electricity market operator ("**NEMO**") under the meaning of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management. IBEX is the Bulgarian licensed energy exchange. In February 2018, IBEX was acquired by the Bulgarian Stock Exchange.

Regulatory framework for electricity distribution activities

The electricity distribution activities in Bulgaria are part of the market at regulated prices. The EWRC regulates:

- the prices for access to, and transmission of electricity through, the electricity distribution grid, paid to the electricity distribution companies;
- the prices, paid to the electricity distribution companies for connection to their electricity distribution grids;
- the prices, at which the electricity distribution companies purchase electricity for covering their technological costs (i.e. distribution network losses) from the public provider - NEK²;
- the prices or price components paid by the electricity distribution companies for compensation of irrecoverable expenses and of public service obligations (including renewable energy), – or the "obligation to society" price.

The EWRC applies the "Revenue cap" method when determining the prices for electricity distribution companies (i.e. the prices for: access to the grid; transmission through the grid; and connection to the grid)³. This method is a type of

¹ http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_44840

² Electricity distribution companies are not allowed to purchase electricity for covering technological costs at the liberalised market, but only from the public provider. However, this is about to change as of 1 July 2018, if the World Bank recommendations are to be followed by the Bulgarian Government – see below.

incentive-based regulation with regulatory periods lasting between two and five years (the exact length of each period is determined by the EWRC). A regulatory period is in turn divided into price periods of one year each, commencing on 1 July and ending on 30 June of the following year.

Under the "Revenue cap" method, the electricity distribution companies submit price applications to the EWRC for the first year of the regulatory period based on a pre-determined formula. The EWRC conducts a regulatory audit and determines the prices to be applied by distribution companies and their necessary annual revenues for the first year of the regulatory period. The EWRC adjusts the prices and necessary revenues of distribution companies at the end of each price year within the regulatory period. Only limited pricing factors are considered for such adjustment, which is implemented based on applications from electricity distribution companies.

Currently, EDC North is at the end of the third (last) year⁴ of the fourth regulatory period (1 August 2015 – 30 June 2018).

The above described regime has been in place for the past decade with certain adjustments over time. During the past four years though the regime has been relatively stable and electricity price deviations have been moderate and agreed upon with input from distribution companies. Additionally, based on the Pricing Ordinance and on the lack of any signals to the contrary, EWRC is expected to keep the current principles of regulation and the "Revenue cap" method for the next regulatory period.

For electricity distribution companies such as EDC North, the necessary annual revenues for the first year of the regulatory period are determined under the following formula:

$NR = C + (RAB * RoR)$ where:

NR - Annual necessary revenues

C - Annual costs for the licensed activity, including administrative costs, grid losses, depreciation, and balancing costs

RAB – Regulatory asset base, acknowledged by EWRC

RoR – Rate of return on capital, determined by the EWRC for the regulatory period and calculated as a WACC

The rate of return for the 4th regulatory period is 7.04 per cent. (prior to taxation) as opposed to a slightly lower rate of 7.00 per cent. in the previous regulatory period. Approved grid losses are currently set at 9 per cent., which is the same rate as in the previous regulatory period.

RAB levels for the regulatory period are determined based on the book value of assets, approved average investments and necessary working capital. As such, approved capex for improvement and maintenance of EDC North's assets increases its RAB and thus the necessary revenue.

Annual price adjustments within a regulatory period are based on:

- inflation;
- performance based indicators (electricity quality, service quality);
- implemented and reported investments;
- annual adjustments through the Z factor, which is the absolute value of the difference between estimated and actual costs for the prior price period; where if the estimated costs exceed the actual ones, necessary revenues are reduced in the following pricing period and vice versa – if the actual costs exceed the estimated ones, necessary revenues are increased with this sum in the next pricing period. The Z factor compensates distributors for differences between electricity purchase and sale costs as well as for cost differences driven by changes in the number of consumers. The Z factor therefore eliminates volume risks associated with distribution activities. A correction via a Z factor can be done even for the first year of a regulatory period.

Regulatory framework for supply of electricity activities

EP Sales conducts its supply of electricity activities based on two different licenses, each with a different price setting methodology:

- the license for supply of electricity as end supplier, under which EP Sales supplies low-voltage households and business consumers at regulated prices; and

³ According to the Pricing Ordinance, the EWRC can apply the following main RAB based methods for these activities: "rate of return on capital" and "price cap/revenue cap".

⁴ 1 July 2017 – 30 June 2018; in its decision No C-27, dated 31 July 2015, the EWRC determined the "revenue cap" method of price calculation to apply for electricity distribution companies during a three-year long regulatory period.

- the license as supplier of last resort, under which EP Sales supplies consumers who either do not have an electricity supplier or were purchasing electricity on the free market but their electricity provider subsequently left the free market. The prices of the supplier of last resort are neither regulated nor freely negotiated ones. They are determined by EP Sales based on a methodology approved by the EWRC.

The electricity volumes which are necessary to cover end consumers' demand, i.e. the households and business consumers connected to the low-voltage grid, are in turn guaranteed by NEK, the public provider, at prices regulated by EWRC. End suppliers are also obliged to purchase electricity generated from renewable energy sources ("RES") and from high-efficiency cogeneration where these generation units are connected to the distribution network on the licensed territory of the end supplier. The procurement price of the latter, the so-called FiT, is also regulated by the EWRC. Electricity procured from RES producers is 100 per cent. invoiced to NEK, i.e. EP Sales is the contract party for RES producers, but the procurement costs are 100 per cent. covered by NEK.

The EWRC approves regulated prices for the end suppliers based on applications from end supply companies.

Within the pricing year the EWRC can, upon its own motion, adjust regulated prices. Such changes shall not be more frequent than once during a calendar quarter. This possibility was introduced in the Energy Act in February 2013 and since then there have been five such decisions⁵.

The above described regime (with certain adjustments throughout the years) has been in place for the past decade. During the past three to four years, the regime is relatively stable and electricity price deviations have been moderate. Additionally, EWRC has followed through with announced plans, such as the elimination of the cross-subsidy between business (mostly industrials) and household consumers, which was a positive development for end suppliers such as EP Sales.

For end suppliers such as EP Sales the necessary annual revenues for each year of the regulatory period are determined under the formula:

$$NR = E * (P_{av} + C_a + C_b) \quad \text{where:}$$

NR - Annual necessary revenues

E – quantity of electricity to be realised on the regulated market by the end supplier, MWh

P_{av} – the average purchase price of electricity, BGN/MWh

C_a – the mark-up component for the activity "supply of electricity from end supplier", BGN/MWh

C_b – the component for balancing, BGN/MWh

According to the Pricing Ordinance, the maximum allowed mark-up component for the activity of "supply of electricity from end suppliers" is 3 per cent. of the established average purchase price for the company. For the fourth regulatory period, the EWRC has approved a mark-up of 2.29 per cent.⁶.

The component for balancing is aimed to compensate the end supplier for imbalance costs incurred in its activity as a coordinator of balancing groups. This component is paid to all balancing group suppliers.

Based on the necessary revenues EWRC sets the prices at which EP Sales, in its capacity as end supplier, sells electricity to its consumers (according to their type and tariff structure).

In its capacity as a supplier of last resort, EP Sales sells electricity to its consumers at prices calculated based on a methodology approved by the EWRC. However, in this capacity, EP Sales is not obliged to purchase electricity from NEK at regulated prices. The purchase is done at freely negotiated prices and sellers can be electricity generators, traders and the public provider – NEK.

EP Energy Services is the other Group company that supplies electricity. It operates in the liberalised market and thus buys and sells electricity at freely negotiated prices. Nevertheless, the prices under which EP Energy Services sells electricity to its clients shall cover the "obligation to society" price. Additionally, with respect to sourcing of electricity for transmission across the grid, NEK acts as a public provider and is obliged to purchase electricity from long-term PPAs, renewable energy and CHP sources and the annual quotas for production from local fuel sources from power plants interconnected to the transmission grid. To help NEK manage funding of these costs (including costs arising in prior periods), in 2015 the Energy Act established a Security of Electricity System Fund ("SESF"). As such, each

⁵ As follows: (1) decision, dated 5 March 2013, during price year 2012-2013; (2) decision, dated 30 December 2013, during price year 2013-2014; (3) decision, dated 1 October 2014, during price year 2014-2015; (4) decision, dated 1 November 2015, during price year 2015-2016; (5) decision, dated 7 April 2017, during price year 2016-2017.

⁶ This mark-up value has been finally repealed by the court upon an appeal from CEZ against the EWRC Decision for the first year of the fourth regulatory period. A new decision on the value of the mark-up for the fourth regulatory period and on the consequences, if the value is different from 2.29 per cent., shall be taken by EWRC.

electricity trader which imports electricity pays 5 per cent. of its monthly revenues from import and sale of imported electricity (excluding value added tax) into the SESF.

The other entities within the Group, which hold licenses for electricity trading are EP Bulgaria and EP Trading.

Regulatory framework for electricity generation activities

Price regulation of electricity generation activities differs depending on installed capacity. Any HPP with installed capacity above 10 MW sells its generation on the liberalised market at freely negotiated prices. In addition, as of 1 January 2018, each generator with installed capacity greater than 5 MW is required to sell its electricity on the IBEX.

HPPs with installed capacities of up to 10 MW benefit from renewable energy incentives under the ERSA, i.e. a long-term obligatory power purchase (at the cost of the public provider – NEK) and a FiT, which is approved by EWRC and does not change during the whole term of obligatory power purchase. The FiT shall cease to apply upon expiry of the term for obligatory power purchase. According to the ERSA, the FiT only applies to a Net Specific Production, set at up to 3,960 hours per year, and not to the full output produced by plants subject to the regime⁷. The annual excess of generated electricity (i.e. above the Net Specific Production) can be used by the generator for its own needs or sold:

- at freely negotiated prices on the liberalised market;
- at the price for excess on the balancing market.
- As is the case for electricity traders, each electricity generator is obliged to pay to 5 per cent. of its revenues (excluding value added tax) each month to the SESF.

Electricity market and legislation development

Market liberalisation

The liberalisation of the electricity market in Bulgaria started in 2007 and now all customers are eligible to participate in the open market. Nevertheless, the shift of consumers from the protected side of the market to the liberalised has been taking place gradually over an extended period.

The process of liberalisation was intensified first in 2012 when, by changes in the Energy Act, consumers connected to the medium-voltage grid were forced out to the liberalised market. In the period 2012-2013 almost all medium-voltage consumers moved to the open market.

Another step in the development of the open market was the introduction of standard load profiles as of 1 April 2016. Such standard load profiles allow smaller business and household consumers to participate on the open market too.

As a result of efforts to propel market liberalisation the share of the open market in Bulgaria in 2016 was already approximately 52 per cent.⁸.

The process of liberalisation is expected to continue in 2017 and 2018 and is expected to further increase the share of the open market. In 2015, the Bulgarian Government assigned a project to the World Bank, the result of which was a proposal of models for full market opening, including household consumers. The final report of the World Bank was delivered to the EWRC and the Minister of Energy in 2016. The recommendations, contained in the report, are expected to be reflected in amendments to the Energy Law, which are expected to introduce a new market model not earlier than in 2018. The report of the World Bank recommends:

- Step-by-step process of liberalisation with gradual increase of the percentage of the liberalised market (e.g. an amendment of the Bulgarian Energy Act, which came into force on 1 January 2018, stipulates that producers of electricity (including producers of electricity from renewable energy sources) with total installed capacity exceeding 5 MW must transact at freely-negotiated prices in an organised electricity commodity market, i.e. in the IBEX; this is expected to increase the percentage of electricity sold in the liberalised market);
- Definition of vulnerable consumers, which will continue to have the right to buy electricity at regulated prices or will receive discount from the prices;
- Introduction of contracts for difference for generators with long-term contracts and FiTs - moving all power offtake contracts on the market and payment of the difference to the contract price from the SESF.

Among the announced legislation changes resulting from the World Bank recommendations, which are expected to come into force as of 1 July 2018, are the introduction of the requirement for grid operators to buy grid losses from IBEX and

⁷ “Net Specific Production” means the average annual electric power generation by 1 kW of installed capacity in accordance with the EWRC decision fixing preferential prices after deduction of the producer’s own needs. The value of the net specific electricity production is determined by the EWRC.

⁸ EWRC’s annual report to the European Commission for year 2016, issued in July 2017, page 33. The official data for 2017 will be available in the middle of 2018.

the requirement for generators with installed capacity above 5 MW to sell electricity on the IBEX. While these may change the technical model of the sector (for example, eliminate the single-buyer role of NEK) they are not expected to significantly impact the business plan of the group due to:

- The liberalisation in the business segment is already reflected by EWRC in the prices of EP Sales. The Regulator has acknowledged that 85 per cent. of the business consumers will leave the regulated market;
- Even if some consumers are forced out to the liberalised market by legislation changes, EP Sales will keep its role as a last resort supplier for consumers who do not select another supplier.

Furthermore, the Group does not expect a material impact resulting from liberalisation efforts going forward as 80 per cent. of the Group's supply volumes are already traded on the non-regulated segments.

Regulation in Georgia

Activities of the Group in Georgia

The business operations of the Issuer's operating subsidiaries in Georgia are subject to supervision by GNEWRC. All activities are subject to licensing, except for electricity generation by HPPs with an installed capacity of 13 MW or less. Some of the Group's activities are subject to prices set by GNEWRC, while others are subject to freely negotiated prices in the free market, as detailed below.

General Legal Framework

The primary legislative act governing the Georgian energy market is the Law of Georgia on Electricity and Natural Gas (the "**LGENG**"). Under the LGENG, the objective of wholesale trade within Georgia's power system is to guarantee consistent and reliable availability and supply of electricity. Amongst other things, the LGENG regulates the system management, trade, generation, transmission, dispatching, distribution, import, export and consumption of electricity. The LGENG also designates GNEWRC as the regulatory body with the authority to issue certain licences in the energy sector and the power to regulate the activities of licence holders, importers, exporters and various providers in the sector. As at the date of these Listing Particulars, Georgian national authorities and representatives of the Energy Community Secretariat are working on the country's new Energy Law, the final draft of which is not available yet.

The Georgian electricity market is divided into the retail and wholesale markets. Participants in the wholesale market are producers of electricity, direct consumers, importers, exporters, service providers, the transmission system operator, the market operator, and transmission and distribution licensees. As the Georgian market has not yet been unbundled, the main service providers on the retail market are distribution licensees. In regards to end customers, the retail market comprises household and non-household customers. So-called qualified customers can choose amongst the supplier or wholesale market based on pricing, rather than purchasing electricity for fixed commercial tariffs.

Electricity in Georgia is generated by:

- regulated power plants, which are subject to GNEWRC-regulated tariff rates;
- partly deregulated power plants, which sell electricity at or below the GNEWRC-regulated tariff rates;
- deregulated power plants, which are built after 1 August 2008 and are not guaranteed capacity sources, are subject to free market prices;
- power plants, which have an installed capacity of below 40 MW and which are subject to free market prices; and
- guaranteed capacity sources, which are TPPs, that are subject to GNEWRC-regulated two-step tariffs.

Other than small power plants (with an installed capacity of 13 MW or less), all of the electricity generation sources above require licences to operate.

The transmission system operator role is performed by the dispatch licensee and is subject to GNEWRC-regulated tariffs. Electricity is distributed by utilities that are licensed by the GNEWRC and under tariffs set for the distribution network. The electricity market operator is ESCO, which ensures the sale and purchase of balancing electricity and guaranteed capacity. GNEWRC regulates ESCO's service fee, while the price of balancing electricity is calculated in accordance with the Electricity (Capacity) Market Rules (the "**Market Rules**").

Any entity registered as a qualified enterprise may engage in the importing and exporting of electricity in Georgia. For imports, the price calculation formula is set by the GNEWRC, whereas export prices are unrestricted. Neither export nor import activities require a licence.

Regulatory participants in the Georgian electricity market

The principal participants in the Georgian electricity market are the entities involved in the generation, transmission, distribution and the supply of electricity. The sector is partially regulated but is mostly privately owned. The significant

entities run by the Georgian State are the transmission, dispatching units and two of Georgia's largest HPPs. The remaining significant generation and distribution entities are under private ownership.

Ministry of Economy and Sustainable Development of Georgia

The Georgian Ministry of Energy has been responsible for energy sector reforms for the last decade, which have entailed widespread deregulation and privatisation of the sector. On 7 December 2017, the Georgian Ministry of Energy was officially merged with the Ministry of Economy and Sustainable Development of Georgia ("**MoEaSD**"). The merger is expected to improve the coordination of energy, economic and national security policies, energy efficiency and renewable energy issues, improvement of investment climate, bringing more economic reason to energy policy decisions and certain projects.

The MoEaSD has, *inter alia*, the following responsibilities after the deregulation:

- developing and implementing state energy policy;
- approving the energy balance forecast for the upcoming year;
- approving the Market Rules;
- being part of the approval process of strategic projects in the sector; and
- making decisions concerning deregulation in the energy sector in accordance with state policy.

GNEWRC

GNEWRC is an independent regulatory body that consists of five members. The President of Georgia nominates the members of GNEWRC members in coordination with the Georgian government. The Georgian Parliament then elects them.

The responsibilities of GNEWRC include, *inter alia*:

- establishing rules and conditions for granting licences for the generation, the transmission, the dispatching and the distribution of electricity;
- granting, modifying and revoking licences in accordance with Georgian legislation;
- setting tariffs for the generation, the transmission, the dispatch, the distribution, the import and the consumption of electricity, according to the state energy policy and legislation;
- setting maximum tariff levels for consumers;
- resolving disputes between the licensees, importers, exporters, suppliers and consumers that are within its competence;
- monitoring compliance with the licence terms and setting administrative sanctions that are determined by Georgian legislation; and
- organising and coordinating the mandatory certification activities in the energy sector.

Before making a decree or a decision, the GNEWRC is obliged to inform and invite interested parties to attend its hearings. The GNEWRC's hearings are generally open to the public, however where there are confidentiality concerns it is authorised to hold private hearings. The GNEWRC publishes all of its decrees and decisions publically.

Important private legal entities and state companies

ESCO

ESCO is currently indirectly owned by the Georgian State in its entirety. Its functions include, *inter alia*:

- purchasing and selling the balancing electricity;
- providing the system with reserve capacity under the law and the Market Rules;
- providing the dispatching licensee with the information needed in order for it to plan the power and capacity needs in the national united power system; and
- creating a unified database for wholesale power trade, including creation of a united accounting registry amongst other projects.

Transmission licensees

The electricity transmission network in Georgia consists of 500, 400, 220, 110 and 35 kV lines. High voltage transmission lines connect Georgia with Turkey, Russia, Azerbaijan and Armenia. Turkey is currently the most attractive market into which to export electricity from Georgia. The current export capacity to Turkey is approximately 700 MW

per annum through the new interconnection line. The dispatch licensee sets the monthly export capacity, which is determined by reference to seasonality, on an annual basis.

The transmission network licensees in Georgia are:

- LLC "Georgian State Electrosystem" ("GSE"), which operates the 330, 220 and 110 kV lines;
- JSC "Sakrusenergo", which operates the 500 kV line running across Georgia; and
- LLC "Energotrans", which operates the Akhaltsikhe-Borchkha 400 kV transmission line.

Dispatch licensee

The main responsibilities of the dispatch licensee include, *inter alia*:

- ensuring that the energy system is sustainable and safe;
- ensuring the fulfilment of those obligations imposed by the direct agreements concerning the transmission, the import and the export of electricity;
- ensuring that the energy system functions effectively and within its capacity;
- utilising the transmission line's free capacity at the request of a qualified entity without affecting the capacity promised under the direct agreements; and
- providing ESCO with certain information such as the records of any instructions provided throughout the day or any amendments to the agreed transmission plan.

The dispatch licensee is currently GSE, which is indirectly owned by the Georgian State in its entirety.

Regulatory framework for electricity distribution activities

Electricity distribution activities are subject to regulation and licensing by GNEWRC, the functions of which are detailed above. In 2014, GNEWRC developed new tariff methodologies in line with the European practices, which are based on incentive-based and cost-plus pricing principles. The GNEWRC applies the "Revenue cap" method when determining the prices for electricity distribution companies. Under the "Revenue cap" method, the electricity distribution companies submit tariff applications to the GNEWRC in line with the base year (i.e. the year which precedes the tariff setting year) for the regulatory period. The application contains financial and commercial data such as profit and loss statements for each activity and RAB. GNEWRC then conducts a regulatory audit and determines the tariffs to be applied to distribution companies and the annual revenues necessary for the regulatory period. The GNEWRC has a right to adjust the tariffs and necessary revenues if there is a 10 per cent. deviation from the regulated cost base ("**RCB**") at the end of each tariff year within the regulatory period. Only the limited factors cited below are taken into account for tariff adjustments, which themselves require applications from the electricity distribution companies.

The Georgian government has in recent years considered introducing seasonal and peak load pricing; however no such measures have yet been taken.

Summary of the methodology used as the basis for calculating the existing distribution tariffs

The regulatory period for distribution tariffs is three years. The first regulatory period for distribution tariffs started on 1 September 2014 and ended on 31 December 2017. The Group is currently undergoing the second regulatory period for distribution tariffs that started on 1 January 2018 and will end on 31 December 2020. In August 2017, GNEWRC made amendments to the existing methodologies for calculating the electricity distribution and generation tariffs. These rules are applied by the regulator for calculating of tariffs starting from 1 January 2018 and for the period of 3 years.

The electricity distribution tariff is calculated according to the following formula:

$$\text{Distribution Tariff} = \text{RCB} / \text{Volume of Electricity}$$

RCB is calculated as per the below formula:

$$\text{RCB} = \text{RAB} \times \text{WACC} + \text{Depreciation} + \text{OPEX} + \text{Normative losses} + \text{Corrections} + \text{WCC} + Q$$

Where:

- RAB is the sum of annual RAB for the whole regulatory period;
- WACC is fixed during the regulatory period and amounts to 16.40 per cent.;
- depreciation is a variable figure and is the sum of annual depreciation costs for the whole regulatory period;
- OPEX includes controllable (fixed but subject to adjustment by inflation and X-factor), as well as non-controllable expenses (planned operating expenses, justified by GNEWRC, may be also included in controllable OPEX according to the new methodology);

- normative loss fixed by GNEWRC for the whole regulatory period and is currently set at 9.0 per cent. for the period of 1 January 2018 till 1 May 2018 and at 9.9% for the remaining regulatory period;
- Corrections includes the correction of planned inputs as compared to actual results of capital expenditure, the volume of electricity, non-controllable and planned OPEX, inflation, normative losses as well as service quality and non-operating revenue;
- WCC is the percentage of expenses of the working capital of a relevant regulatory period; and
- Q is a component of commercial quality of service.

RAB levels for the regulatory period are determined based on the approved net book value of assets, approved average investments (actual and three-year capital expenditure plan). As such, approved capex for improvement and maintenance of EP Georgia Distribution's assets increases its RAB and, thus, the necessary revenue. In the current regulatory period, RAB is GEL 1,252 million and to date GNEWRC has consistently approved electricity distribution companies' capex programs.

According to the new methodology tariffs are fixed during the regulatory period. However, adjustments may be claimed at any point during the regulatory period when the variance is more than 10 per cent. of the RCB. RCB for the 2017 tariff year was set at GEL 168.4 million and average distribution tariff was GEL 35.66/MWh. RCB for the 2018-2020 regulatory period is set at GEL 763.5 million and the average distribution tariff is GEL 45.31/MWh.

GNEWRC sets three electricity consumption tariff steps, which are applicable to household customers. The lowest price is reserved for customers who consume 101 kWh or less within a 30-day period. The second and the third blocks set increasingly higher tariffs and apply to household customers with a monthly consumption in the range of 101-301 kWh and over 301 kWh, respectively.

Regulatory framework for electricity generation activities

Electricity generation in Georgia is also subject to regulation and licensing requirements. GNEWRC is authorised to issue electricity generation licenses, to establish the methodology for calculating generation tariffs and to set generation tariffs. The regulatory period for generation tariffs is three years.

There are various tariff regimes applicable to the different market participants. GNEWRC is authorised to set tariffs for so-called "regulated entities", which are HPPs commissioned before 1 August 2008 and those with an installed capacity of more than 40 MW, including a source of guaranteed capacity (prior to 1 January 2018, regulated entities were those with an installed capacity of more than 13 MW). Currently, 6 out of the 15 HPPs of the Group are regulated entities. Regulated entities operate under price caps set by GNEWRC, using a mix of cost-based and incentive-based methodologies. Conversely, deregulated plants are not subject to price regulation and sell electricity based on freely negotiated prices, with the exception that special conditions, which are determined by the Market Rules, apply when selling the electricity to ESCO.

Summary of the methodology used as the basis for calculating the existing generation tariffs

Generation tariffs are set individually for separate HPPs. Prior to 1 January 2018, tariffs were set on an annual basis. Starting from 1 January 2018, a three-year period will apply for calculating the generation tariffs. Tariffs set by the GNEWRC are calculated based on the following formula:

$$\text{Generation Tariff} = \text{Regulated Cost Base (RCB)} / \text{Volume of Generated Electricity (average generation of previous 5 years)}$$

RCB is calculated as per the below formula:

$$RCB = RAB \times WACC + \text{Depreciation} + OPEX + \text{Corrections} + WCC$$

Where:

- RAB is the sum of annual RAB for the whole regulatory period;
- WACC is fixed during the regulatory period and amounts to 16.40 per cent.;
- Depreciation is a variable figure and is the sum of annual depreciation costs for the whole regulatory period;
- OPEX includes operating and other costs related to the production of electricity;
- Corrections includes the correction of planned inputs compared to actual results of capital expenditure, the volume of electricity, OPEX, non-operating revenue; and
- WCC is the percentage expenses of the working capital of a relevant tariff year.

RAB levels for the regulatory period are determined based on the net book value of assets. As such, approved capex for improvement and maintenance of EP Georgia Generation's assets increases its RAB and thus the necessary revenue. In

the previous regulatory period, total RAB for 11 regulated HPPs was GEL 173 million (EUR62 million) and in the past GNEWRC has consistently approved electricity generation companies' capex programs. RCB for 11 regulated HPPs for the 2017 tariff year was set at GEL 48 million. RCB for the 2018-2020 regulatory period for 6 regulated HPPs is set at GEL 88 million.

According to the new methodology tariffs are fixed during the regulatory period. However, adjustments may be claimed at any point during the regulatory period when the variance is more than 10 per cent. of the RCB.

Regulatory framework for the sources of guaranteed capacity

The Law on Electricity and Natural Gas also regulates trade in the so-called guaranteed power. According to the statutory definition, guaranteed power is the electricity provided by those sources of guaranteed capacity that support the sustainability, security and reliability of the Georgian power system. The Georgian government determines the level of guaranteed capacity to be kept in reserve, while the dispatching licensee regulates the level of actually existing capacity above that guaranteed level. The dispatch licensee makes independent decisions concerning the source of guaranteed capacity, the amount of generation to be guaranteed and the reasonableness of its use. Sources of guaranteed capacity are thus obliged to ensure the supply of electricity into Georgia's united power system. gPower currently provides 110 MW of capacity through one gas-fired TPP, out of which 80MW is for guaranteed capacity.

Trading of guaranteed capacity is possible only through ESCO, which purchases and pays the respective purchase price only once the source of guaranteed capacity is recognised as such by the Georgian government and its readiness has been inspected and verified by the dispatch licence holder.

Summary of the methodology used as the basis for calculating the existing tariffs for guaranteed capacity

Tariffs for guaranteed capacity are established annually. The revenues of the TPP currently operated by EP Georgia through its subsidiary – gPower are composed of two components: (a) a tariff for system reserve (daily capacity fee for guaranteed capacity) and (b) electricity generation tariff for actually generated electricity.

The system reserve tariff (guaranteed capacity) is calculated according to the following formula:

$$\text{Capacity Fee} = \text{Fixed OPEX} + \text{RAB} \times \text{WACC} + \text{Depreciation} + \text{Corrections} / \text{No. of Operationally Available Days}$$

Where:

- Fixed OPEX includes salaries, repair costs, consulting, security, rent, insurance, taxes, ESCO fee, fixed regulation fee, purchased electricity, utility and representative costs and other OPEX;
- RAB levels for the regulatory period are determined based on the net book value of assets, approved average investments and necessary working capital. In the previous regulatory period, total RAB was GEL 61.4 million; RAB for 2018 is GEL 58.2 million.
- WACC is fixed during the regulatory period and amounts to 16.4 per cent. and the Capacity fee in 2018 is set at GEL 44,874 per day.

Electricity generation tariff is calculated according to the following formula:

$$\text{Generation Tariff} = \text{Changeable OPEX} + \text{FX and fuel consumption corrections} / \text{Volume of electricity generated}$$

Where:

- Changeable OPEX includes purchased gas and changeable regulation fees;
- Corrections include the difference between planned and actual purchased gas prices and FX, difference between actual and planned coefficient of gas consumption; and
- Volume in KWh for each regulatory year is set based on country's annual electricity balance.

In principle, the methodology applicable to the sources of guaranteed capacity remains the same as in 2017. WACC was also increased from 13.54 per cent. to 16.40 per cent., as in the case of generation and distribution tariffs.

Implementation of the European legislative framework in Georgia

Although Georgia is not a member of the EU and has not yet applied to join, the EU and Georgia enjoy a close relationship. The EU-Georgia Association Agreement entered into force in July 2016 and strives for political association and economic integration between the EU and Georgia. The EU and Georgia have also entered into the DCFTA, while Georgian citizens have benefitted from visa free travel to the Schengen area since 28 March 2017.

More importantly, signing the Energy Community Charter in October 2016 marked a new level of commitment from the Georgian government to synchronise Georgian legislation with the EU standards in the energy sector. To achieve this, Georgia is in the process of introducing a number of regulatory changes on the market, which are expected to transition the Georgian energy market into a more competitive and transparent environment. The Georgian government aims to

finalise the process of incorporating the EU directives relevant to the energy sector into domestic legislation by the end of 2019.

Changes introduced in the Law on Electricity and Natural Gas in June 2017 include the altered definition of regulated entities and determination that HPPs with an installed capacity of no more than 40 MW which are not sources of guaranteed capacity would be permitted to trade electricity on a free market with a non-regulated tariff.

Further, effective from 1 September 2017, in case a source of guaranteed capacity is unable to fully supply the expected capacity, it will nevertheless be entitled to compensation for the guaranteed capacity without undergoing testing if the shortfall is remedied without shutting down the plant. Before the amendment, no compensation was due until the guaranteed capacity would be verified through testing procedure. Testing required complete shut down and re-launching of the plant, which, in its turn, resulted in increased gas consumption, downtime and could even result in a system crash.

Other changes made to the law sets that, starting from May 2018, consumers connected to high voltage transmission lines (35kv and above) will automatically be regarded as direct consumers. This will result in an increase of the pool of direct consumers, which is expected to foster price competitiveness for all market participants.

Further changes are expected as a result of the implementation of EU regulations, including day-ahead market trading and supply unbundling, however the details of which are still unknown. As at the date of these Listing Particulars, the distribution and supply activities in the Georgian electricity market remain unbundled, however the MoEaSD is working on legislative reforms that will bring about further unbundling. The Group expects that such unbundling will result in a more competitive operating environment in the Georgian energy market. The timeline for such legislative reform is yet to be announced. Further amendments are underway for implementation of the EU regulations on energy efficiency and energy performance in buildings. Amendments are expected to provide certain incentives to and impose obligations on the network operators so as to contribute to energy savings target. However, the details of such amendments are still unknown.

Regulation in Turkey

Market structure

The Turkish Electricity Market is regulated and supervised by the Energy Market Regulatory Authority (the "**EMRA**"), which was established in 2001. The market is divided into the following sectors:

- *Generation* – consisting of:
 - EÜAŞ, a state-owned generation company, and its subsidiaries;
 - Build Operate ("**BO**") companies, which build and operate a project for state needs; Build Operate Transfer ("**BOT**") companies, which build and operate a project for state needs (possibly in combination with a concession from the state of existing publicly-owned infrastructure) and subsequently transfer it back to the state; Transfer of Operational Rights ("**TOR**") companies to which the state transfers operation of assets for a designated period (sometimes with an obligation to rehabilitate the assets), during which ownership remains with the state; and other public private partnership models; and
 - privately owned generation companies, such as RH Turkey;
- *Transmission* – through TEİAŞ, the state-owned transmission system;
- *Distribution* – consisting of 21 privatised distribution companies.
- *Wholesale* – consisting of 149 private wholesale companies including EP Top - which sell in the wholesale market and to "eligible customers" (see below) - and TETAŞ, a public wholesale company;
- *Retail supply to smaller customers* – consisting of 21 private retail companies authorised to sell to "non-eligible customers" (see below) ("Retail Companies"). Retail Companies can also sell to eligible customers and are required to sell to "customers of last resort", eligible customers whose power demands cannot be met by other suppliers or who have not selected their suppliers despite being able to do so; and
- *Customers* – consumers of electricity, divided into "non-eligible customers", who consume less electricity and purchase their electricity from Retail Companies according to a tariff set by the EMRA, and "eligible customers", who consume more electricity and pay prices negotiated with their supplier.

Generation

Subject to certain exemptions, electricity generation activities are limited to holders of generation licences granted by the EMRA. Generation licence holders are required to register themselves as market participants with the Energy Stock Market ("**EPIAŞ**"), which operates the wholesale electricity markets, including financial conciliation activities for these markets. There are presently 744 generation license holders in Turkey. Out of these, four generators are state-owned

companies which cover 26 per cent. of the Turkish market by installed capacity) while no private company has a market share greater than 5 per cent. RH Turkey's HPPs' current generation licences are in place until 16 May 2055 (Aralık HPP), 17 November 2054 (Hamzalı HPP) and 5 October 2055 (Reşadiye HPPs).

The nature of the generation company determines to whom it is able to sell its electricity. EÜAŞ can sell its generated electricity to the day-ahead and intra-day markets and privately-owned wholesale companies. BOT and BO companies sell their generated electricity to TETAŞ (a publicly owned wholesale company) under long-term power purchase agreements. Private generation companies, such as RH Turkey, sell electricity through the wholesale market, electricity trading (under bilateral agreements), on the organised markets (the spot market, the over the counter market, suppliers and the export/import markets (the "**Organised Markets**")) and directly to eligible customers (see *Retail Supply and the Wholesale Market*) below. RH Turkey and EP Top have access to, and active contracts and operations in, each of the Organised Markets.

The Feed-in Tariff (YEKDEM)

YEKDEM is a support mechanism for generation companies of electricity from renewable sources. This mechanism was introduced in the Regulation on Documentation and Support of Electricity Manufacturing from Renewable Energy Resources (the "**YEKDEM Regulation**") and entered into force in 2013. Pursuant to article (4) of the YEKDEM Regulation, the support mechanism consists of FiTs for electricity generation license holders and unlicensed electricity generators producing electricity from renewables as well as for other opportunities in the renewable energy sphere. Generation companies willing to benefit from the support mechanism have to apply to the EMRA by October 31 in order to register for the following calendar year. After a review and evaluation of the applications, the approved applicants are notified within the first ten days of November; the final list for the upcoming calendar year is announced by EMRA no later than November 30 on any given year. Those plants are then committed to the YEKDEM scheme for the full calendar year.

The difference between the price which generation companies are able to realise on the market for their electricity and the FiT price is an important factor in generation companies' decisions whether or not to participate in the support mechanism. The average annual day-ahead market price ("**DAMP**") in USD/MWh was 78.51 in 2013, 74.81 in 2014, 50.82 in 2015, 46.08 in 2016 and 44.79 between January and August 2017. The FiT under YEKDEM provides different levels of incentives according to the type of renewable energy resource. Currently, the FiT price for run-of-river hydroelectric power is USD 73 per MWh.

All five of the RH Turkey HPPs are eligible for the FiT, which is applicable for the first 10 years of operation for plants commissioned after 18 May 2005 and prior to 31 December 2020. As such, RH Turkey's HPPs have between two to four years until the expiration of applicable FiTs (for expiry dates, see the relevant table in *OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS – Turkey*). Following expiry of the applicable FiT periods, RH Turkey's HPPs' revenue will be determined by the prices they are able to realise through sales on the free market as outlined in *Generation* above.

When YEKDEM was first established, participating power plants sold their capacity to YEKDEM and were not allowed to sell on platforms other than YEKDEM while participating in the scheme. In return, the entire generation counted by the electricity meters of the companies participating in YEKDEM was purchased by EPIAŞ at YEKDEM prices, leaving the plants without price, volume or currency risks. These plants were also exempt from balancing their electricity sales and electricity generation so were not obliged to forecast their future generation.

Following changes in 2016, renewable power plants subject to YEKDEM now sell their electricity generation on the free market (see *Generation* above). Each month, a balancing payment is made between the plant and EPIAŞ in the amount of (i) the hourly DAMP of the electricity sold by the plant during that month (whether or not the electricity was in fact sold on the day-ahead market at DAMP), multiplied by a "tolerance coefficient" set by the EMRA which is currently 0.98 for river type HPPs; minus (ii) the FiT price of that electricity. If the amount is positive, the plant must pay such amount to EPIAŞ; if it is negative, EPIAŞ must pay the absolute value of such amount to the plant. Plants can improve their revenues by selling their electricity at a price which is higher than DAMP (this does not affect the amount of the monthly settlement payment). The electricity generated by RH Turkey's HPPs is sold at a higher price on the balancing market, resulting in, on average, approximately one U.S. dollar of additional revenue per MWh.

Following the changes in 2016, the revenue of a renewable power plant is also influenced by its ability to accurately forecast its electricity production during the day ahead. If a plant's actual electricity production deviates from the quantity it has sold, the plant will be penalised by EPIAŞ for that imbalance. Settlement of such imbalances is regulated by the Electricity Market Balancing and Settlement Regulation ("**BSR**"). The BSR sets out a formula for the penalties which apply in respect of imbalances. Under the formula, depending on certain variables which are set by the EMRA, plants will tend to receive less than DAMP for a surplus of electricity generation over their sales and will tend to have to pay more than DAMP for a deficit. However, RH Turkey's HPP's imbalances are sold to electricity distribution companies, which results in an overall profit from the balancing process.

In addition to the tariff structure described above, there is a bonus tariff for renewable power plants using domestically manufactured products including turbines and generator and power electronics of up to USD 23 per MWh for HPPs. This is limited to the first five years of operation. The Group's HPPs do not benefit from this bonus tariff.

FiTs are denominated in USD. However, they are paid in TRY according to the prevalent TRY / USD rate. The associated foreign exchange risk is very limited as it consists of the change in the foreign exchange rate between the invoice issue date and payment, which happens within a month.

Retail Supply and the Wholesale Market

All public and private supply companies in Turkey must obtain a licence from the EMRA for the right to supply electricity. Electricity supply licences are generally issued for a 49-year period and licence holders are entitled to undertake wholesale and/or retail sales within Turkey.

The retail supply regime depends on whether the relevant customer is an "eligible customer", which, in 2017, is any end-customer who consumes more than 2,000 kWh/year of electricity. Customers below this threshold are "non-eligible customers". Non-eligible customers can only purchase electricity from the Retail Company in their region (rather than from an ordinary supply licence holder). Retail tariffs for non-eligible customers are regulated by the EMRA, taking into account submissions from the relevant supply company, and are updated on a quarterly basis. These tariffs are set according to the type of customer, i.e. residential, commercial, industrial, irrigation and street lighting. Eligible customers can select their retail electricity suppliers (including both supply and generation companies), and contract with these suppliers on whatever terms and at whatever prices they see fit, under bilateral agreements which are not subject to control by the EMRA (EP Top contracts under bilateral agreements, but RH Turkey does not).

The energy-consumption threshold separating eligible and non-eligible customers is set by the EMRA each year and is to be reduced gradually (the threshold was as high as 9,000,000 kWh/year in 2002, and was reduced by the EMRA to 4,000 kWh/year at the beginning of 2015 and to 3,600 kWh/year in 2016). As such, it is expected that by 2019 the threshold will have been eliminated and that all customers will be eligible (although this is not an official deadline). The Group expects that the elimination of eligibility limits will increase its market share in the wholesale market. By October 2016 the number of eligible customers reached 2.6 million, a significant increase from the 0.2 million that Turkey recorded at the beginning of 2013.

Wholesale supply activities are conducted by (i) private wholesale supply companies on the day-ahead and intraday markets (such as EP Top) and (ii) TETAŞ, the state-owned wholesale company, which sells electricity to distribution and retail companies based on the TETAŞ wholesale tariff which is regulated by the EMRA and is updated on a quarterly basis. Wholesale electricity prices are set by supply companies and are not subject to the EMRA's approval, provided they comply with the EMRA's rules and principles. However, in practice, due to TETAŞ' significant share of the wholesale market, the TETAŞ wholesale tariff set by the EMRA affects and influences the tariffs adopted by private wholesale companies. Private wholesale companies can also buy electricity from OTC and Spot markets themselves.

Bilateral agreements can be signed between any market participants (except for non-eligible customers). These agreements can be negotiated privately between the parties as they are not regulated. In 2016, the total traded volume in bilateral agreements reached 276 GWh.

Import/export

Export activities can be conducted by generation and supply licensees, while import activity can be conducted by supply licensees, in each case subject to the terms of their licences and certain conditions. Additionally, TETAŞ is entitled to sign import and export agreements that are within the scope of intergovernmental agreements and conduct import and export activities in accordance with such agreements.

TAXATION

The description below is of a general nature and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of any Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities and commodities) may be subject to special rules.

The description below is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of these Listing Particulars. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes.

Prospective purchasers of any Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of each country of which they are resident and the Czech Republic, of a purchase of the Notes including, without limitation, the consequences of receipt of interest and sale or redemption of the Notes or any interest therein, including pending or proposed changes in applicable tax laws.

Czech Tax Considerations

Interest income

Withholding tax on interest

Since the Notes are issued outside of the Czech Republic, all interest payments to be made by the Issuer under the Notes may be made free of withholding or deduction of, for or on the account of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Czech Republic or any political subdivision or taxing authority thereof or therein.

Tax treatment of interest

Since the Notes are issued outside of the Czech Republic, interest income on the Notes held by an individual who is not treated as a resident of the Czech Republic for tax purposes or by a taxpayer other than an individual who is not treated as a resident of the Czech Republic for tax purposes (either of them further referred as the "**Non-Czech Holder**") will be exempt from taxation in the Czech Republic.

Interest income on the Notes held by an individual who is for tax purposes treated as a resident of the Czech Republic or to a taxpayer other than an individual who is for tax purposes treated as a resident of the Czech Republic (either of them further referred as the "**Czech Holder**") is subject to Czech personal or corporate income tax, as applicable, at flat rates of 15 per cent. or 19 per cent. (there are special rates of 5 per cent. for selected investment funds and 0 per cent. for pension funds and selected entities of pension insurance), respectively, and is payable on a self-assessment basis (in the case of Czech Holders who are individuals, the reporting obligation, in addition to whether the interest income shall be declared on a cash or an accrual basis, will depend on the individual's circumstances in each case). Czech Holders who are subject to Czech accounting standards for entrepreneurs (i.e. most companies other than financial or insurance institutions and certain individuals engaged in active business) or to Czech accounting standards for financial institutions (including, in particular, banks) will be required to recognise the interest income on an accrual basis for accounting purposes and, accordingly, include it in their general tax base for Czech income tax purposes in the given period.

Acquisition of own Notes

Notwithstanding the above, the Czech tax law is not straightforward with respect to tax treatment in situations when the Notes are bought back by the Issuer. There is a risk that the purchase price payable by the Issuer for the Notes, where the seller of the Notes is an individual and Non-Czech Holder, would be subject to Czech withholding tax. In this case, the tax base calculated as the difference between the purchase price and the issue price of the Notes would be subject to 15 per cent. withholding tax. In some situations, withholding tax could also be reduced or eliminated by an applicable double taxation treaty.

Capital gains/losses

Non-Czech Holders

Income realised by Non-Czech Holders, not holding the Notes through a permanent establishment in the Czech Republic, from the sale of the Notes to other Non-Czech Holders not purchasing the Notes through a permanent establishment in the Czech Republic will not be subject to taxation in the Czech Republic.

Income realised by Non-Czech Holders, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes to a Czech Holder or to a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic will be subject to taxation in the Czech Republic, unless:

- the Non-Czech Holder realising that income is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to

tax that income is conferred exclusively to the former country, is the beneficial owner of that income, is entitled to enjoy the benefits of that double taxation treaty and does not have a permanent establishment in the Czech Republic to which that income would be attributable; or

- the Non-Czech Holder who is an individual (i) has held the Notes for more than three years prior to their sale and the Notes have not been held in connection with the business activities of the Non-Czech Holder or if so, (ii) the Notes will be sold after three years following the termination of such business activities at the earliest. Furthermore, income from the sale of the Notes realised by an individual is exempt, if the annual (worldwide) gross income (i.e. not the capital gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000.

Income realised by Non-Czech Holders holding the Notes through a permanent establishment in the Czech Republic from the sale of the Notes will be subject to taxation in the Czech Republic regardless of the status of the buyer.

If income realised by a Non-Czech Holder, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), a Czech Holder or a permanent establishment in the Czech Republic of a Non-Czech Holder paying that income will be obliged to withhold an amount of 1 per cent. on a gross basis representing tax security, unless the Non-Czech Holder selling the Notes is for tax purposes a resident of a member state of the European Union or the European Economic Area or unless the obligation to withhold is waived based on a tax authority decision. The tax security shall be credited against the final tax liability as declared in the Czech tax return of the Non-Czech Holder selling the Notes. If no Czech tax return is filed, the tax authority can deem the tax security withheld to be tax assessed on and paid by the Non-Czech Holder selling the Notes.

Furthermore, please note that the income realised by a non-Czech Holder who is an individual might be subject to specific withholding tax regardless of the length of the holding period. In such a case, the above described tax treatment would not apply. For further details please refer to section *Acquisition of own Notes* above.

A Non-Czech Holder will not become or be deemed to become resident for tax purposes in the Czech Republic solely by reason of holding the Notes or through the execution, performance, delivery and/or enforcement of the Notes.

Czech Holders

Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions and who hold the Notes for the purposes of trading may be, under certain conditions, required to remeasure the Notes to fair value for accounting purposes, whereby the unrealised gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible for Czech tax purposes.

Any gains upon the sale of the Notes will generally be taxable, unless exempt from tax, and in the case of Czech Holders who keep accounting books (in principle, all legal entities and certain individuals), any losses will generally be tax deductible. By contrast, a loss realised by Czech Holders who are individuals other than those mentioned in the preceding sentence is generally non-deductible, except where such loss is compensated by taxable gains on sales of other securities and the income from the sale of the Notes is not exempt from tax.

In the case of Czech Holders who are individuals, any gain derived from the sale of the Notes is exempt from Czech personal income tax if (i) the individual has held the Notes for more than three years prior to their sale and the Notes have not been held in connection with the business activities of the Czech Holder or if so, (ii) the Notes will be sold after three years following the termination of such business activities at the earliest. Furthermore, income from the sale of the Notes realised by an individual is exempt, if the annual (worldwide) gross income (i.e. not the capital gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000.

If income realised by a Czech Holder from the sale of the Notes is not tax-exempt (as discussed in the foregoing paragraphs), tax rates apply as follows:

- individual Czech Holders not having held the Notes in connection with their business activities are subject to tax at 15 per cent.,
- individual Czech Holders having held and selling the Notes in connection with their business activities are subject to tax at 15 per cent. plus potentially the solidarity surcharge, calculated at 7 per cent. of the excess of the Czech Holder's total employment and self-employment income over 48-times the average wage (CZK 1,438,992 for 2018), as well as subject to social security and health insurance contributions,
- other than individual Czech Holders are subject to tax at 19 per cent. unless the Czech Holder is a selected investment fund which is subject to tax at 5 per cent or a pension fund or a selected entity of pension insurance which are subject to tax at 0 per cent.

Furthermore, please note that the income realised by a Czech Holder who is an individual might be subject to specific withholding tax regardless of the length of the holding period. In such a case, the above described tax treatment would not apply. For further details please refer to section *Acquisition of own Notes* above.

Reporting Obligation

A Noteholder (Czech and Non-Czech) who is an individual may be obliged to report to the Czech tax authority any income earned in connection with the Notes (including interest income or income from sale) if such income is exempted from taxation in the Czech Republic and exceeds, in each individual case, CZK 5 million (the "**Reporting Obligation**"). Although the Reporting Obligation is not imposed on certain tax exempt incomes that are recorded in registers available to the Czech tax authority, as specified by the tax authority, as at the date of these Listing Particulars, the tax exempt income earned in connection with the Notes has not been excluded from the Reporting Obligation. Non-compliance with the Reporting Obligation may be penalised by a sanction of up to 15 per cent. of the gross amount of the tax exempt income.

Value Added Tax

There is no Czech value added tax payable in respect of payments in consideration for the issue of the Notes, or in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

Other Taxes or Duties

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by a Non-Czech Holder or a Czech Holder in respect of or in connection with the purchase, holding or disposition of the Notes, save for disposition in certain cases upon donation or inheritance.

Georgian Tax Considerations

General

This summary is based upon the Georgian tax laws and regulations as in effect on the date of these Listing Particulars. Such laws and regulations are subject to change or varying interpretations, possibly with retroactive effect. Tax law and practice in Georgia is not clearly established compared to more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of practice may change or that the law may be amended with retroactive effect. Accordingly, it is possible that payments to be made to the Noteholders could become subject to taxation or that rates currently in effect with respect to such payments could be increased in a way that cannot be anticipated as of the date of these Listing Particulars.

In general, it is unlikely that the sale of Notes, absent a sale of Notes on the territory of Georgia or to a Georgian tax resident, will trigger any Georgian tax obligations on the part of the Noteholders. However, the Tax Code of Georgia does not provide a clear definition of the place of sale (supply) of the Notes for the purposes of determining profit/income tax exposure and, accordingly, there is a risk that this may be susceptible to varying interpretations by the tax authorities.

In addition, certain tax consequences may be triggered if a Georgian Guarantor makes payment to the Noteholders under the Guarantee.

Individuals

Principal Amounts

Payment of principal on the Notes to individuals who are Georgian tax residents is not subject to taxation in Georgia.

Interest on the Notes

Georgian resident individuals are exempted from taxation on their foreign source income. Respectively, interest earned by Georgian residents on the Notes of foreign Issuer shall be regarded as foreign source income and shall, therefore, be exempted from taxation in Georgia.

Capital Gain

Capital gain earned from sale of the Notes of foreign Issuer shall likewise be regarded as income received from foreign source and, accordingly, such income will not be taxed.

Value Added Tax

No Value Added Tax or other taxes apply to the interest or capital gain earned from the Notes.

Legal Entities

Principal Amounts

Payment of principal of the Notes to the legal entities is not subject to taxation in Georgia.

Interest

Interest received from the Notes by the Georgian companies or the permanent establishments of foreign entities shall be included in their income for corporate income tax ("CIT") purposes. It is noteworthy that according to the Tax Code of Georgia, corporate entities are not taxed on their profit, unless they distribute profit to their shareholders in the form of dividends.

Capital Gain

Capital gain received from the Notes by Georgian companies or permanent establishments of Georgian entities shall be included in their income for CIT purposes. No CIT will be payable on their income, unless profits are distributed to their shareholders.

Value Added Tax

No Value Added Tax or other taxes apply to the capital gain earned from sale of the Notes.

Tax Considerations – payments under the Guarantee

The following is a general outline of certain Georgian tax aspects in the context of a payment under Guarantee provided by the Georgian Guarantor in relation to the Notes to the holder of Notes who is not the Georgian tax resident. This outline is not intended to provide a full analysis of the Georgian tax implications, which may be different from those described below depending on the particular circumstances.

Tax qualification of a portion of the payment as interest income

To the extent that payment of all amounts under the Notes, including principal, premium, if any, and interest, will be covered by the Guarantee, a portion of payment made corresponding to due premium, and due interest shall not be qualified and treated as interest for tax purposes by the Georgian tax authorities. The definition of interest provided by the Georgian tax law excludes payments made under the guarantee and suretyship obligations from the notion of "interest". However, this exemption is vaguely drafted, and as a result there is a risk that tax authorities may determine that the exemption does not apply to the premiums issued under the guarantees of financial obligations. In this unlikely scenario, interest payments to non-Georgian Noteholders may be subject to a tax of 5 per cent. or 15 per cent. (if the recipient is located in a jurisdiction with a low tax base), as the case may be, by the Georgian Guarantor.

Withholding tax on interest income or other Georgian-source income of non-resident

Under Georgian tax law, withholding is done in relation with certain types of income earned by the non-resident from Georgian source. The list includes interest, dividends, royalties and the so-called "other income received by the non-resident from Georgian source". Considering that payment under the Notes, including the portions for due interest shall not be qualified as interest under the Tax Code of Georgia, no withholding tax on interest shall apply. As concerns "other income received by the non-resident from Georgian source", withholding on this income is done, if the income per se falls under any category of income provided in the list of "Georgian source income" in Article 104 of the Tax Code of Georgia. None of the income categories listed therein is applicable to this payment. Therefore, no withholding should be done under the notion of "other Georgian-source income of non-resident" as well.

Value Added Tax

Georgian law has recognised financial services as exempt from value added tax. Cash guarantee falls under the definition of financial services/ financial operation. Therefore, no Georgian value added tax is payable in respect of the payments.

Other Taxes or Duties

No registration tax or stamp duty, capital tax, customs duty, transfer tax, or any other similar tax or duty is payable in Georgia in respect of or in connection with the purchase, holding or disposition of the Notes or issuances and payment under the Guarantee.

Gross Up

If a Georgian Guarantor is required to withhold any amount from any payment under its Guarantee, as a consequence of or pursuant to the Georgian tax laws, it will be obliged to pay such additional amounts as may be necessary so that the net payments received by the paying agent or any other party will not be less than the amount the paying agent or any other party would have received in the absence of such withholding. Although not directly allowed by the law, gross-up provisions are nevertheless routinely enforced and applied in Georgia. There is, however, a risk that Georgian tax authorities may take a different approach and, as a result tax gross-up provisions may be declared null and void and, therefore, unenforceable in Georgia.

DTT

Georgia has executed double taxation treaties with several EU Member States, including *inter alia*, the UK. The taxation regimes established under such double taxation treaties, where applicable, shall prevail over the local legislation.

Bulgarian Tax Considerations

Bulgarian tax considerations – payments under and income from the Notes received by Bulgarian tax residents and Bulgarian fixed bases/permanent establishments of non-residents

For the purposes of this section and as defined in Bulgarian domestic law, a Bulgarian tax resident is:

- i. a legal entity established under Bulgarian law; or a company established under Regulation (EC) No. 2157/2001 of the Council, and a cooperative society established under Regulation (EC) No. 1435/2003 of the Council whose registered office is located in Bulgaria and which companies have been entered in a Bulgarian register; or
- ii. an individual (natural person), regardless of his citizenship:
 - a. whose permanent place of residence is in Bulgaria, or
 - b. who spends in the territory of Bulgaria more than 183 days in each period of 12 consecutive months and is considered a tax resident for the year during which his stay exceeds 183 days, save for individuals the purpose of stay in Bulgaria is solely for education or medical treatment, or
 - c. who resides abroad on assignment by the Bulgarian State, by Bulgarian authorities and/or organisations, or by Bulgarian enterprises, and the members of the family of such natural person shall be considered Bulgarian tax residents, or
 - d. who has his centre of vital interests in Bulgaria, i.e. where the interests of the person are closely connected with Bulgaria, considering: his the family, property, the place in which the person carries out his employment, professional or business activity, and the place from which he manages his property.

Other criteria, determinative of tax residency, may become relevant under an applicable double tax treaty to which Bulgaria is a party.

Individuals

Principal amounts

Payment of principal on the Notes to individuals who are Bulgarian tax residents, or non-residents acting through a fixed base in Bulgaria, is not subject to taxation in Bulgaria.

Interest on the Notes

Interest on the Notes, received by an individual who is a Bulgarian tax resident, or who is a non-Bulgarian tax resident acting through a fixed base in Bulgaria, will not be taxed in Bulgaria provided the law governing the Note is that of an EU/EEA member state.

A Bulgarian personal income tax of 10 per cent. may become payable also in respect of Interest on the Notes, as part of the overall income of the individual (subject to the application of any double tax treaty relief) if the Notes will no longer be governed by an EU/EEA member state law, depending on the outcome of the BREXIT negotiations between the European Union and the United Kingdom. A tax credit against the personal income tax due in Bulgaria will generally be available to individuals, which are Bulgarian tax residents, under the requirements of the Bulgaria-Czech double tax treaty for income tax due, if any, in the Czech Republic on interest income from the Notes.

The definition of interest provided by Bulgarian tax law and double tax treaties to which Bulgaria is a party generally includes any income from debt-claims, particularly income from bonds or debentures and other financial instruments related to such securities.

Capital gains on the Notes

Capital gains realised from the sale or exchange of Notes by an individual who is a Bulgarian tax resident, or who is a non-Bulgarian tax resident acting through a fixed base in Bulgaria, is included in his or her annual taxable income and is subject to personal income tax in Bulgaria at the rate of 10 per cent.

Special treatment of sole traders

An individual who is a Bulgarian tax resident and with regards to the Notes is acting as sole trader (*едноличен търговец*, transcribed in Latin letters as *ednolichen targovetz*) within the meaning of Articles 56 et seq. of the Bulgarian Commerce Act, whether registered or not, is subject to taxation for any interest or capital gains as a legal entity at the rate of 15 per cent.

Legal Entities

Principal amounts

Payment of principal on the Notes to a legal entity, which is a Bulgarian tax resident, or which is a non-Bulgarian tax resident acting through a permanent establishment in Bulgaria, is not subject to taxation in Bulgaria.

Interest on Notes

Interest on the Notes, received by a legal entity, which is a Bulgarian tax resident, or which is a non-Bulgarian tax resident acting through a permanent establishment in Bulgaria, is included in the corporate income taxable base of the recipient and is subject to corporate income tax in Bulgaria at the rate of 10 per cent. (if the company is tax profitable at the year-end). A tax credit against the corporate income tax due in Bulgaria will generally be available to Bulgarian legal entities under the requirements of the Bulgaria-Czech double tax treaty for income tax due, if any, in the Czech Republic on interest income from the Notes.

The definition of interest provided by Bulgarian tax law and double tax treaties to which Bulgaria is a party generally includes any income from debt-claims particularly income from bonds or debentures and other financial instruments related to such securities.

Capital gains on the Notes

Capital gains realised from the sale or exchange of Notes by a legal entity, which is a Bulgarian tax resident, or which is a non-Bulgarian tax resident acting through a permanent establishment in Bulgaria, is included in the corporate income taxable base of the recipient and is subject to corporate income tax in Bulgaria at the rate of 10 per cent.

Bulgarian Tax Considerations – payments under the Guarantee

The following is a general outline of certain Bulgarian tax aspects in the context of a payment ("**Payment**") under the Guarantee to be provided by EP Varna in relation to the Notes to a holder of Notes that is not a Bulgarian tax resident. It should be noted the Bulgarian tax treatment of Payments under a guarantee is not straightforward and a more detailed analysis is advisable to account for the particular circumstances in any given situation of a drawdown under the Guarantee. This outline is not intended to provide a full analysis of the Bulgarian tax implications, which may be different from those described below depending on the particular circumstances.

Tax qualification of a portion of the Payment as interest income

To the extent that payment of all amounts under the Notes, including principal and interest, will be covered by the Guarantee, a portion of a Payment could be qualified and treated as interest income for tax purposes by the Bulgarian tax authorities. The definition of interest provided by Bulgarian tax law and double tax treaties to which Bulgaria is a party generally includes any income from debt-claims particularly income from bonds or debentures and other financial instruments related to such securities.

Withholding tax on interest income

Under Bulgarian corporate tax law currently in effect, interest paid as income from Notes, respectively qualified as interest payment within a Payment (in accordance with the preceding paragraph), to a non-resident is subject to withholding tax at a rate of 10 per cent. to be withheld by the Bulgarian Guarantor, unless relief under an applicable double tax treaty is available and claimed by the non-resident pursuant to a specific tax clearance procedure. The application of any treaty relief in respect of income exceeding BGN500,000 for the calendar year is subject to obtaining a tax clearance from Bulgarian revenues authorities under a special procedure, requiring filing of standard forms and tax residence certificate following receipt of respective income and before the deadline for payment of tax. Clearance statement should be issued within 60-day term, where the expiry of such term without any refusal is deemed a tacit approval of treaty relief application. Prospective purchasers of Notes should consult their own tax advisers with regard to the applicability and effect of such treaties, and to treaty clearance procedures. In case the income is less than BGN500,000 the applicable double tax treaty shall be applied directly without filing of request to the tax authorities and the party receiving the income certifies to the payer of the income (Bulgarian Guarantor), that he is the real holder of the income and presents to him a tax residence certificate.

Exemption from withholding tax in Bulgaria may apply to interest accrued to affiliated EU/EEA entities subject to the requirements of the EU Interest/Royalty Directive (Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States), e.g. to an EU/EEA entity holding for not less than 2 years on end more than 25 per cent. of the capital of the Bulgarian Guarantor.

Value Added Tax

Bulgarian law has recognised financial services as exempt from value added tax. The scope of financial services should include the Bulgarian Guarantee, although the language of the Value Added Tax Act is relatively generic and may allow different interpretations. Therefore, there is no Bulgarian value added tax payable in respect of the Payments.

Other Taxes or Duties

No registration tax or stamp duty, capital tax, customs duty, transfer tax, or any other similar tax or duty is payable in the Republic of Bulgaria in respect of or in connection with the purchase, holding or disposition of the Notes or issuances and a Payment under the Guarantee, save for disposition in certain cases upon donation or inheritance.

Turkish Tax Considerations

General

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a resident of Turkey in Notes of a non-resident company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Listing Particulars, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

One of the notable changes for 2018, is that the corporate tax rate will increase from 20 per cent. to 22 per cent. and such increased rate will be effective from 2018 to 2020.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Individuals

Principal amounts

Payment of principal on the Notes to resident individuals is not subject to taxation in Turkey.

Interest on the Notes

For individuals who are resident of Turkey for Turkish tax purposes and who holds the Notes, the entire gain is required to be declared if the interest income derived exceeds TL 34,000 for 2018 together with other certain income.

Capital gains on the Notes

Capital gains realised from the sale or exchange of Notes by an individual who is a resident of Turkey for Turkish tax purposes is subject to 15 per cent. to 35 per cent. progressive tax rate to be declared with annual income tax return.

Legal Entities

Principal amounts

Payment of principal on the Notes to a legal entity, which is a Turkish tax resident, or which is a non-Turkish tax resident acting through a permanent establishment in Turkey, is not subject to taxation in Turkey.

Interest on Notes

Interest income derived by a resident corporation is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the return.

Capital gains on the Notes

Regarding capital gains taxation, there is no separate capital gains taxation mechanism in Turkey: capital gains realized at the level of resident companies are generally considered part of the commercial income, and the upside, if any, is subject to 20 per cent. corporate income taxation (actually, 22 per cent. for FY18, FY19 and FY20).

Turkish Tax Considerations – payments under the Guarantee

The following is a general outline of certain Turkish tax aspects in the context of a payment under guarantee to be provided by RH Turkey in relation to the Notes to a holder of Notes that is not a Turkish tax resident. This outline is not intended to provide a full analysis of the Turkish tax implications, which may be different from those described below depending on the particular circumstances.

If RH Turkey is required to pay any amounts under the Guarantee, as a consequence of or pursuant to the Turkish tax laws, those amounts could be considered as a disguised dividend distribution to a non-resident related party. Dividend distributions to individuals and to non-resident persons are subject to withholding tax at a local rate of 15 per cent. However, this rate might be reduced for non-resident shareholders in the presence of a tax treaty. Under Article 10 of the Turkey-Czech Republic withholding tax on dividends paid to a company resident in the Czech Republic is limited to 10 per cent. of gross dividends paid. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the relevant jurisdiction in which the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

No Turkish Value Added Tax is payable in respect of the payments under the Guarantee to be provided by RH Turkey in relation to the Notes to a holder of Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it shall not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EEA member states may decide to participate and certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

BNP Paribas, Citigroup Global Markets Limited and J.P. Morgan Securities plc (together, the "**Joint Bookrunners**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 2 May 2018, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100.00 per cent. of the principal amount of Notes. The Issuer (failing which, the Guarantors) have agreed to pay the Joint Bookrunners a combined management and underwriting commission, will reimburse the Joint Bookrunners in respect of certain of their expenses, and have also agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes and the Guarantee (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Czech Republic

These Listing Particulars have not been and will not be approved by, or passported to, the Czech National Bank and their publication does not constitute an offering of the Notes to the public in the Czech Republic. No notification (other than notification to the Czech National Bank under Section 8a of Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended) has been made to, and no permit has been sought or obtained from, the Czech National Bank for (i) the issue of the Notes, (ii) accepting the Notes for trading on a regulated market in the Czech Republic, or (iii) public offering of the Notes in the Czech Republic.

Each of the Joint Bookrunners has represented and agreed that:

- (a) the Notes may only be offered in the Czech Republic under one or more exemptions from the obligation to publish a prospectus available under the Czech Act No. 256/2004 Coll., on Undertaking Business in the Capital Market, as amended (the "**Czech Capital Market Act**"), including but not limited to, offering and/or distribution: (i) addressed exclusively to qualified investors as defined in the Czech Capital Market Act, (ii) addressed to less than 150 natural or legal persons (other than qualified investors), or (iii) in circumstances

where the minimum investment per investor is at least equal to EUR100,000 (or its equivalent in another currency);

- (b) these Listing Particulars may only be distributed in the Czech Republic in the above described circumstances and to the above defined investors, exclusively for their own use; and
- (c) the recipients of this document may not reproduce or distribute it or pass it on to any other person.

Bulgaria

These Listing Particulars have not been and will not be approved by the Financial Supervision Commission and will not be passported for the purpose of public offering or admission to trading on a regulated market of the Notes in the Republic of Bulgaria.

Therefore, each of the Joint Bookrunners has represented and agreed that:

- (a) the Notes may only be offered in the Republic of Bulgaria under one or more exemptions from the obligation to publish a prospectus available under the Bulgarian Public Offering of Securities Act ("**POSA**"), including offering: (i) addressed exclusively to qualified investors as per the meaning of POSA; (ii) addressed to less than 150 natural or legal persons, which are not qualified investors; (iii) offering of securities with single nominal value at least the Bulgarian lev (BGN) equivalence of EUR100,000 or (iv) in circumstances where the minimum investment per investor is at least equal to BGN equivalence of EUR100,000;
- (b) these Listing Particulars may only be distributed in the Republic of Bulgaria in the above described circumstances and to the above defined investors, exclusively for their own use; and
- (c) the recipients of these Listing Particulars may not reproduce or distribute it or pass it on to any other person.

Georgia

The Listing Particulars have not been, nor are intended to be approved by, or registered with, the National Bank of Georgia. No notification has been made, and no consent has been sought or obtained from the National Bank of Georgia for the issue of the Notes or public offering of the Notes in Georgia.

The Notes and the Guarantee shall not be advertised, marketed, offered or sold in Georgia in a public offering without a prior or simultaneous delivery/publication of a final prospectus approved by the National Bank of Georgia in accordance with the 1998 Law of Georgia on Securities Market (the "**Securities Market Law**"). A "public offering" is an offer to sell securities directly or indirectly on behalf of an issuer or other person to at least 100 persons or to an unspecified number of persons. Offering of the securities to sophisticated investors only (as defined in the Securities Market Law) will not constitute a public offering. In the event that the securities of an issuer are placed/listed on "recognised stock exchange of the foreign country" as defined by Georgian law, the securities of such an issuer may be issued and offered in Georgia in a public offering without approval by the National Bank of Georgia of the final prospectus related to the securities, provided that the National Bank of Georgia is notified about public offering of the securities in accordance with Georgian law and the evidence of such listing is provided to the satisfaction of the National Bank of Georgia in advance of the offering.

In addition, pursuant to the 2009 Organic Law of Georgia on National Bank of Georgia, the Notes and the Guarantee shall not be advertised, marketed, offered or sold to more than 20 natural persons in Georgia unless such offer is made: (i) exclusively to sophisticated investors (as defined in the Securities Market Law); or (ii) through a public offering.

Therefore, each of the Joint Bookrunners has represented and agreed that the Notes may only be offered and sold in Georgia to (i) less than 100 persons provided however that offering of the Notes addressed to unspecified number of investors will not be permitted and further provided that such offer shall not be made to more than 20 natural persons; or (ii) exclusively sophisticated investors (as defined in the Securities Market Law).

Without limitation of any of the foregoing, each of the Managers has represented and agreed that it has complied and will comply with all applicable provisions of Georgian law with respect to anything done by it in relation to the Notes in, from or otherwise involving Georgia.

Turkey

These Listing Particulars have not been and will not be approved by the Capital Markets Board of Turkey (the "**CMB**") and publication of these Listing Particulars does not constitute an offering of the Notes to the public in the Republic of Turkey. The Notes (or beneficial interests therein) shall not be sold or offered in Turkey in any circumstances which would constitute a sale or an offering within the meaning of the Capital Markets Law No. 6362 without the approval of

the CMB. No notification has been made to, and no permit has been sought or obtained from, the CMB for (i) the issue of the Notes, (ii) accepting the Notes for trading on a regulated market in the Republic of Turkey, or (iii) public offering of the Notes in the Republic of Turkey.

General

No action has been taken by the Issuer, the Guarantors or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

The issue of the Notes has been duly authorised by a resolution of the Board of Directors of the Issuer dated 20 March 2018 and the giving of the Guarantee has been duly authorised by (i) resolutions of the shareholder and the Supervisory Board of EPG Generation, each dated 22 March 2018; (ii) resolutions of the shareholder and the Supervisory Board of EP Georgia, each dated 22 March 2018; (iii) resolutions of the sole shareholder of EP Varna, resolutions of the Supervisory Board of EP Varna and resolution of the Board of Management of EP Varna, each dated 19 April 2018 and (v) resolutions of the Board of Directors of RH Turkey dated 2 April 2018.

Listing

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin; however, no assurance can be given that such application will be accepted. The Global Exchange Market is not a regulated market for the purposes of MiFID II. It is expected that admission of the Notes to the Official List and to trading on the Global Exchange Market will be granted on or about 4 May 2018, subject only to the issue of the Notes.

Information relating to the Guarantors

The Issuer's consolidated financial statements includes both the Guarantors and non-guarantor companies.

The table below sets out the contributions to consolidated EBITDA and net assets by each of the Issuer, the Guarantors, and the Issuer's non-guarantor subsidiaries as at and for the year ended 31 December 2016:

	Adjusted EBITDA ¹	Adjusted Net Assets ²	Percentage of Consolidated EBITDA	Percentage of Consolidated Net Assets
	(EUR millions)		(per cent.)	
Issuer	(6.5)	20.5	(4.0)	8.6
EP Georgia	73.2	97.6	44.8	41.1
EPG Generation ³	N/A	N/A	N/A	N/A
EP Varna	64.8	77.6	39.6	32.6
RH Turkey	20.3	2.1	12.4	0.9
Non-guarantor subsidiaries	11.9	39.8	7.2	16.8

¹ Adjusted EBITDA represents the standalone EBITDA of the respective company within the Group, adjusted for intercompany transactions and other consolidation adjustments.

² Adjusted Net Assets represent the standalone net assets of the respective company within the Group, after consolidation adjustments.

³ EPG Generation figures are included in the figures of EP Georgia.

As at and for the year ended 31 December 2016, the Issuer and the Guarantors represented 92.8 per cent. of consolidated EBITDA and 83.2 per cent. of consolidated net assets, with the Issuer's non-guarantor subsidiaries representing 7.2 per cent. of consolidated EBITDA and 16.8 per cent. of consolidated net assets.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS1816296062 and the Common Code is 181629606. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal Entity Identifier

The Issuer's legal entity identifier is 315700IQCL9IX158RO36.

No significant change

There has been no significant change in the financial or trading position of the Issuer, the Guarantors or the Group since 30 June 2017. There has been no material adverse change in the prospects of the Issuer, EP Georgia, EP Varna, RH Turkey or the Group since 31 December 2016 and no material adverse change in the prospects of EPG Generation since the date of its incorporation.

Litigation

None of the Issuer or the Guarantors are presently involved, nor have in a period covering at least the previous 12 months been involved, in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and the Guarantors are aware) which may have or have had in the recent past a significant effect on the Issuer's, the Guarantors', or the Group's financial position or profitability.

Auditors

The auditors of the Issuer are Deloitte Audit s.r.o, members of The Chamber of Auditors of the Czech Republic, who have audited the Issuer's consolidated financial statements as at and for each of the years ended 31 December 2015 and 31 December 2016, in accordance with International Financial Reporting Standards as adopted by the EU, and have issued unqualified opinions in respect of those financial statements. The auditors of the Issuer have no material interest in the Issuer.

Documents Available

For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following documents will be available for inspection in electronic form from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer and each of the Guarantors (with an English translation thereof);
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016, in each case, together with the auditors' reports in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the consolidated unaudited interim financial statements of the Issuer in respect of the six months ended 30 June 2017. The Issuer currently prepares unaudited reviewed consolidated interim accounts on a semi-annual basis; and
- (d) the Trust Deed and the Agency Agreement.

Joint Bookrunners transacting with the Issuer and the Guarantors

Certain of the Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantors and their respective affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantors and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor, or the Issuer's or the Guarantors' affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer or the Guarantors routinely hedge their credit exposure to the Issuer or the Guarantors consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Yield

On the basis of the issue price of the Notes of 100.00 per cent. of their principal amount, the yield on the Notes is 4.50 per cent. on an annual basis.

The yield is calculated on the Closing Date on the basis of the issue price of the Notes. It is not an indication of future yield.

Interests of natural and legal persons involved in the issue of the Notes

Save for the commissions described under "*Subscription and Sale*", so far as the Issuer and the Guarantors are aware, no person involved in the issue of the Notes has an interest material to the offer.

GLOSSARY OF TERMS

The following explanations are not intended as technical definitions but rather are intended to assist the understanding of certain terms used in these Listing Particulars:

"2022 Notes"	The Issuer's EUR370,000,000 4.00 per cent. Guaranteed Notes due 2022
"Adjusted EBITDA"	The standalone EBITDA of the respective company within the Group, adjusted for intercompany transactions and other consolidation adjustments
"Adjusted Net Assets"	The standalone net assets of the respective company within the Group, after consolidation adjustments
"BGN"	Bulgarian Lev
"BOT"	Build-operate-transfer
"Cash Collection Rate"	$\frac{\text{Overdue receivables beginning of the period} + \text{receivables for collection during the period} - \text{Overdue receivables end of period}}{\text{Overdue receivables at the beginning of the period} + \text{Receivables for collection during the period}}$
"COD"	Commencement of Operations Date
"Distributed volume"	The total volume of supplied electricity
"DK"	DK Holding Investments s.r.o.
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"EDC North"	Electrodistribution North AD (formerly known as ENERGO-PRO Grid AD)
"EML"	Electricity Market Law No. 6446 of Turkey
"EMRA Law"	The Turkish law establishing EMRA
"EMRA"	Energy Market Regulatory Authority of Turkey
"EP Bulgaria"	ENERGO-PRO Bulgaria EAD
"EP Energy Services"	ENERGO-PRO Energy Services EOOD
"EP Georgia Group"	ENERGO-PRO Georgia JSC and its subsidiaries
"EP Georgia"	ENERGO-PRO Georgia JSC
"EP Sales"	ENERGO-PRO Sales AD
"EP Top"	ENERGO-PRO Güney Elektrik Toptan Satış İth. İhr. ve Tic. A.Ş.
"EP Trading"	ENERGO-PRO Trading EAD
"EP Varna"	ENERGO-PRO VARNA EAD
"EP Varna Group"	EP Varna, EDC North, EP Sales and EP Energy Services
"EPG Generation"	ENERGO-PRO Georgia Generation JSC

"EPIAŞ"	Enerji Piyasaları İşletme Anonim Şirketi in Turkey
"EÜAŞ"	Elektrik Üretim A.Ş.
"EUR"	Euro
"EWRC"	Energy and Water Regulatory Commission of Bulgaria
"Feed-in-Tariffs"	A tariff for renewable energy producers designed to promote the uptake of those sources
"FIT"	Feed-in-tariff
"GNEWRC"	Georgian National Energy and Water Supply Regulatory Commission
"gPower"	LLC gPower
"Group's Capex"	The sum of standalone capex of the respective operational companies in Bulgaria, Georgia and Turkey. It excludes consolidation adjustments and the Czech companies within the Group
"Group's EBITDA"	The sum of standalone EBITDA of the respective operational companies in Bulgaria, Georgia and Turkey. It excludes consolidation adjustments and the Czech companies within the Group
"Guarantors"	EP Georgia, EPG Generation, EP Varna and RH Turkey
"GWh"	Gigawatt hour
"HPP"	Hydropower plant
"IBEX"	Independent Bulgarian Energy Exchange
"Installed capacity"	The total amount of electricity a plant is able to produce
"Issuer"	ENERGO-PRO a.s.
"Key Accounts"	Large business and public customers with an electricity consumption of over 1 GWh per year
"Km"	Kilometre
"Km²"	Kilometre squared
"Listing Particulars"	The main marketing document for a bond issue on Euronext Dublin
"MENR"	The Ministry of Energy and Natural Resources of Turkey
"MoEaSD"	The Ministry of Economy and Sustainable Development of Georgia
"MW"	Megawatt
"NEK"	Natsionalna Elektricheska Kompania EAD
"Notes"	The bonds that are to be issued by the Issuer

"OPPA"	OPPA JSC (formerly known as Nova Technology JSC)
"POSA"	Public Offering of Securities Act of Bulgaria
"PPA"	Power Purchase Agreement
"RAB"	Regulatory asset base
"Regional Accounts"	Business and public customers with an electricity consumption of between 0.1 and 1 GWh per year
"RH Turkey"	Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.
"SAIDI"	System Average Interruption Duration Index, which gives information about the average time in minutes that a customer is interrupted per reported period
"SAIFI"	System Average Interruption Frequency Index, which gives information about the average frequency of sustained interruptions greater than 3 minutes per customer per reported period
"TEDAŞ"	Türkiye Elektrik Dağıtım A.Ş.
"TEİAŞ"	Turkish Electricity Transmission Company
"TETAŞ"	Türkiye Elektrik Ticaret ve Taahhüt Anonim Şirketi
"TPP"	Thermal power plant
"Trustee"	Citibank, N.A., London Branch
"TWh"	Terawatt hour
"WACC"	Weighted average cost of capital
"Wheeling volume"	The total volume of electricity that a grid transmits, which is the sum of the distributed volume and the grid loss volume
"YEKDEM"	A renewable energy resources support mechanism in Turkey

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ENERGO - PRO a.s.

**Condensed consolidated interim financial statements
for 6 months ended**

30 June 2017



INDEPENDENT AUDITOR'S REVIEW REPORT **To the Shareholders of ENERGO - PRO a.s.**

Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

We have reviewed the accompanying condensed consolidated interim financial statements of ENERGO-PRO a.s., which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 (Revised). ISRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements. A review of financial statements in accordance with ISRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements do not give a true and fair view of the financial position of ENERGO-PRO a.s. as at 30 June 2017, and of its financial performance and cash flows for the six-month period then ended, in accordance with IAS 34.

Emphasis of matter

We draw attention to Note 12.1 section "EPV" to the accompanying condensed consolidated interim financial statements, which describes the uncertainty related to the outcome of the legal proceedings and litigations. Our opinion is not modified in respect to this matter.

In Prague on 9 November 2017

Audit firm:

Deloitte Audit s.r.o.



Represented by:

Pavel Raštica
on the basis of a power of attorney



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Notes to the Condensed Consolidated Interim Financial Statements

ENERGO - PRO a.s.

Condensed Consolidated Interim Statement of Financial Position
As at 30 June 2017

(EUR'000)	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	469,704	472,448
Prepayments for property, plant and equipment		109	3
Goodwill	5	71,340	72,069
Intangible assets	6	68,189	73,308
Non-current financial assets	10	5,401	29,263
Deferred tax assets		1,153	984
Non-current portion of issued loans	8	848	132
Other non-current assets	9	2,085	523
Total non-current assets		618,829	648,730
Current assets			
Inventories		11,411	7,677
Trade and other receivables		97,656	138,861
Current income tax asset		5,697	4,422
Current portion of issued loans	8	53,849	24,902
Cash and cash equivalents		43,368	82,306
Other current assets	9	35,711	8,669
Total current assets		247,692	266,837
TOTAL ASSETS		866,521	915,567
EQUITY			
Authorised share capital		3,569	3,569
Translation reserve		(37,772)	(37,444)
Retained earnings		268,941	258,236
Equity attributable to the company's owners		234,738	224,361
Non-controlling interest		12,965	13,210
TOTAL EQUITY		247,703	237,571
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,428	8,201
Other non-current provisions	11	9,736	9,678
Loans and borrowings	7	339,205	368,296
Non-current financial liabilities		172	214
Other non-current liabilities		22,231	23,499
Total non-current liabilities		377,772	409,888
Current liabilities			
Provisions	11	17,023	25,214
Trade and other payables		64,292	77,043
Income tax payable		1,840	4,295
Borrowings	7	132,626	140,504
Other current liabilities		25,265	21,052
Total current liabilities		241,046	268,108
Total liabilities		618,818	677,996
TOTAL LIABILITIES AND EQUITY		866,521	915,567

Approved for issue and signed on behalf of the Board of Directors and Group's management on 9 November 2017.


Member of Board of Directors
Petr Tesar


Financial Manager
Vlastimil Ourada

ENERGO - PRO a.s.
Condensed Consolidated Interim Statement of Comprehensive Income
For the period ended 30 June 2017

(EUR'000)	Note	6 months ended	
		30/6/2017	30/6/2016
Revenue			
Sales of electricity in local markets		291,966	312,559
Cross border sales of electricity		19,354	9,251
Grid components of electricity sales price		89,556	79,362
Services and other		12,111	12,094
Total Revenue		412,987	413,266
Other Income		2,112	3,893
Changes in inventories of finished goods and work in progress		(5)	
Purchased power		(252,750)	(226,812)
Service expenses		(70,004)	(64,613)
Labour costs		(32,114)	(29,525)
Material expenses		(2,795)	(2,056)
Tax expenses		(2,440)	(1,886)
Other operating expenses		(6,966)	(4,091)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)¹		48,025	88,196
Depreciation and amortisation expense		(22,430)	(23,945)
Earnings before financial expenses and taxes (EBIT)		25,595	64,251
Finance income		16,644	10,314
Finance costs		(29,815)	(33,469)
Finance costs – net		(13,171)	(23,155)
Income before income tax (EBT)		12,424	41,096
Income tax		(1,336)	(8,109)
Deferred taxes		284	25,540
Total income tax expense	13	(1,052)	17,431
Profit for the year		11,372	58,527
Profit/(loss) attributable to:			
- Owners of the company		10,635	57,934
- Non-controlling interest		737	593
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(292)	1,753
<i>Items that will not be reclassified to profit or loss:</i>			
Other comprehensive income		(292)	1,753
Total comprehensive income		11,080	60,280
Total comprehensive income attributable to:			
- Owners of the company		10,343	59,687
- Non-controlling interest		737	593

Approved for issue and signed on behalf of the Board of Directors and Group's management on 9 November 2017.



Member of Board of Directors
Petr Tesar



Financial Manager
Vlastimil Ourada

¹ EBITDA is specified as a non-gaap measure in this interim financial statements (no IFRS standard for EBITDA specification). The consolidated Group EBITDA as an important economic indicator showing a business's operating efficiency, is calculated as stated above in the Income Statement (Total revenues minus costs of goods sold and other selling and administrative expenses).

ENERGO - PRO a.s.
Condensed Consolidated Interim Statement of Changes in Equity
For the period ended 30 June 2017

(EUR'000)	Note	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Authorised share capital	Translation reserve	Retained earnings	Total equity		
1 January 2016		3,569	(22,145)	201,689	183,113	13,464	196,577
Net income for the period		-	-	57,934	57,934	593	58,527
Other comprehensive income		-	1,753	-	1,753	-	1,753
Comprehensive income for the period		-	1,753	57,934	59,687	593	60,280
Dividends paid or shares in profit		-	-	-	-	(41)	(41)
Other changes in equity		-	-43	46	3	-	3
30 June 2016		3,569	(20,435)	259,669	242,803	14,016	256,819
1 January 2017		3,569	(37,444)	258,236	224,361	13,210	237,571
Net income for the period		-	-	10,635	10,635	737	11,372
Other comprehensive income		-	(292)	-	(292)	-	(292)
Comprehensive income for the period		-	(292)	10,635	10,343	737	11,080
Dividends paid or shares in profit		-	-	-	-	(982)	(982)
Increase in revaluation reserve		-	-	33	33	-	33
Other changes in equity		-	(36)	37	1	-	1
30 June 2017		3,569	(37,772)	268,941	234,738	12,965	247,703

Approved for issue and signed on behalf of the Board of Directors and Group's management on 9 November 2017.



Member of Board of Directors
Petr Tesar





Financial Manager
Vlastimil Ourada

ENERGO - PRO a.s.
Condensed consolidated Interim Statement of Cash Flows
For the period ended 30 June 2017

		6 months ended	
(EUR'000)			
	Note	30/6/2017	30/6/2016
Profit/(loss) before income tax		12,424	41,096
Adjusted for:			
Depreciation and amortization expense		22,430	23,945
Interest income		(1,951)	(1,093)
Interest expense		15,641	24,650
Changes in provisions and impairment		(5,607)	(5,497)
Assets granted free of charge		(37)	(482)
Inventory surplus		(840)	(593)
(Gain)/Loss on disposal of property, plant and equipment		1,461	6
Inventory obsolescence expense		150	63
Other changes - difference in rate of exchange etc.		(3,340)	(503)
Cash inflow from operating activities before changes in operating assets and liabilities		40,331	81,592
Movements in working capital			
Decrease/(increase) in inventories		(3,044)	717
Decrease/(increase) in trade accounts receivable		10,161	9,405
(Increase)/decrease in other current assets		-	(5,479)
Increase/(decrease) in trade and other payables		(12,745)	(15,968)
Increase/(decrease) in other liabilities		2,903	(1,038)
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		37,606	69,229
Interest received		948	1,276
Income tax paid		(6,544)	(847)
Net cash (outflow)/inflow from operating activities		32,010	69,658
Cash flows from investing activities			
Acquisition of subsidiaries, net cash of entities acquired	9	(27,932)	-
Purchases of property, plant and equipment and intangible assets		(21,291)	(37,991)
Proceeds from sale of property plant and equipment		-	38
Loans granted	8	(2,821)	(13,226)
Loans repaid	8	1,829	13,277
Deposits (granted)/repaid		47	(476)
Proceeds from sale of bonds		23,602	(9)
Net cash outflow from investing activities		(26,566)	(38,387)
Cash flows from financing activities			
Proceeds from borrowings	7	76,136	186,583
Repayment of borrowings	7	(111,911)	(212,574)
Interest paid		(7,625)	(11,349)
Dividends paid to non-controlling interest		(982)	(41)
Net cash used in financing activities		(44,382)	(37,381)
Net increase/(decrease) in cash and cash equivalents		(38,938)	(6,111)
Cash and cash equivalents at the beginning of the year		82,306	43,567
Cash and cash equivalents at the end of the year		43,368	37,456

Approved for issue and signed on behalf of the Board of Directors and Group's management on 9 November 2017.


 Member of Board of Directors
 Petr Tesar


 Financial Manager
 Vlastimil Ourada

1. ENERGO-PRO Group and its's operations

ENERGO - PRO a.s. ("EPas") is a joint stock company (Company) established on 23 March 1995. The registered address is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic and the identification number of EPas is 63217783. The main activities of the ENERGO - PRO a.s. Group ("the Group") are power generation from HPP's, electricity distribution and power trading. EPas is wholly owned by DK Holding Investments s.r.o, which in turn is wholly owned by Mr. Jaromír Tesař.

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

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

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

Name	Location	Share
ENERGO - PRO a.s.	Czech Republic	parent
ENERGO-PRO Georgia JSC	Georgia	100%
ENERGO-PRO Georgia Generation JSC	Georgia	100%
Nova Technology JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Trading EAD	Bulgaria	100%
ENERGO-PRO VARNA EAD	Bulgaria	100%
Reşadiye Hamzalı Elektrik Üretim Sanayi ve Tic. A.S.	Turkey	100%
ENERGO-PRO Guney Elektrik Tiptan Satis İthalat İhracat VE Tic. A.S.	Turkey	100 %
ENERGO-PRO İYİ Dere Elektrik Üretim Sanayi VE Ticaret A.S.(*)	Turkey	100%
MEGAWATT SERVIS s.r.o.	Czech Republic	100%

The above mentioned status of shares within ENERGO-PRO Group was the same as at 30 June 2016. Newly established entity in the period of half-year 2017 (27 April 2017) was ENERGO-PRO İYİ Dere Elektrik Üretim Sanayi VE Ticaret A.S.(*)

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

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

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

List o Group's operational sources:

Location	Hydro power plants	Installed capacity (MW)
1. Bulgaria	Koprinka Cascade (2 HPP's ²)	29.4
2. Bulgaria	Pirinska Bistritsa Cascade (2 HPP's ³)	50.0
3. Bulgaria	Sandanska Bistritsa Cascade (3 HPP's ⁴)	56.4
4. Bulgaria	Petrohan Cascade (3 HPP's ⁵)	16.7
5. Bulgaria	Ogosta	4.9
6. Bulgaria	Samoranovo	2.9
7. Bulgaria	Katuntsi	3.5
8. Bulgaria	Karlukovo	2.3
9. Georgia	Atsi	18.4
10. Georgia	Rioni	51.0
11. Georgia	Gumati Cascade (2 HPP's ⁶)	69.5
12. Georgia	Ladjanuri	113.7
13. Georgia	Shaori Cascade (2 HPP's ⁷)	120.3
14. Georgia	Chitakhevi	21.0
15. Georgia	Satskhenesi	14.0
16. Georgia	Ortatshala	18.0
17. Georgia	Martkopi	3.9
18. Georgia	Sioni	9.0
19. Georgia	Zaghesi	36.8
20. Georgia	Kinkisha	0.9
21. Georgia	Chkhorotsku	6.0
22. Turkey	Hamzali	17.0
23. Turkey	Aralik	12.4
24. Turkey	Resadiye Cascade ⁸	65.6
Gas power plants		
25. Georgia	Gardabani	110.0
Total		853.6

As of 30 June 2017 the following projects are being developed:

Location	Transmission line	Capacity (MW)
Georgia	154 kV Transmission line incl. HVDC to Turkey	350

The number of employees of the Group as of 30 June 2017 and 2016 was 8 313 and 8 181 respectively (including employees of ENERGO - PRO a.s. and MEGAWATT SERVIS s.r.o.).

Subsidiaries

ENERGO-PRO Georgia JSC ("EPG")

EPG was incorporated on 31 July 2006 and is domiciled in Georgia. EPG is a joint stock company limited by shares and was set up in accordance with the Georgian legislation. The identification number of EPG is 205169066.

² Koprinka HPP; Stara Zagora HPP

³ Spanchevo HPP; Pirin HPP

⁴ Sandanski HPP; Popina Laka HPP; Lilyanovo HPP

⁵ Klisura HPP, Barzia HPP, Petrohan HPP

⁶ Gumati I HPP; Gumati II HPP

⁷ Shaori HPP; Dzevrula HPP

⁸ Resadiye I; Resadiye II; Resadiye III

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

The investment project of ENERGO-PRO Group in Georgia has been implemented with the financial support of the Czech Export Bank, a state-owned Czech financial institution which is specialised in providing support for export activities and foreign investments of Czech companies.

EPG's principal business activity is distribution of electricity. EPG distributes electricity to all regions of Georgia except for capital city Tbilisi and Kakheti region (as of 30 June 2017). EPG serves over one million customers through its electricity distribution network.

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

On 23 December 2016 EPG started the process of reorganisation driven by the need to unbundle generation and distribution activity into separate legal entities. As a result, a new legal entity JSC ENERGO-PRO Georgia Generation has been spun off from EPG. On 27 December 2016 all generation assets and shares of one of its subsidiaries, JSC Zahesi, were transferred to ENERGO-PRO Georgia Generation JSC (originally part of EPG Group).

EPG Group consists of the following entities consolidated in these financial statements:

Name	Country of incorporation	EPG Group ownership interest		Type of operation
		2016	2015	
LLC gPower	Georgia	100%	100%	Gas-fired power plant
LLC Zoti Hydro	Georgia	95%	95%	Construction (dormant)

LLC gPower („gPower“) was incorporated on 16 November 2010 and is domiciled in Georgia.

LLC gPower's principal business activity is provision of guaranteed capacity and generation of electricity. On 1 December 2010 LLC gPower signed an agreement with JSC Energy Invest to purchase its operating assets. These operating assets mainly comprise of four gas power turbines with the installed capacity of 110 megawatt and other assets required for electricity generation (Gas-fired power plant).

Guaranteed capacity insures stable and reliable functioning of unified electric energy system of Georgia. The period of standby mode and minimum volume of guaranteed capacity are regulated by the Government of Georgia, while tariffs are determined by Georgian National Energy and Water Supply Regulatory Commission („GNERC“).

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

LLC Zoti Hydro („Zoti“) was established on 25 November 2008, by 95% participation of EPG and 5% participation of LLC Guria Energy. Zoti's principal business activity is construction and operation of hydro power plants. As of the end of 2016 and half year 2017 Zoti was a dormant entity.

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

The number of employees of EPG as of 30 June 2017 and 2016 was 4 891 and 5 281 respectively.

ENERGO-PRO Georgia Generation JSC („EPGG“)

EPGG was incorporated on 23 December 2016 after the reorganization of EPG assets and is domiciled in Georgia. EPGG is a joint stock company limited by shares and was set up in accordance with the Georgian legislation. The identification number of EPGG is 405182626.

EPGG's principal activity is generation of electricity via its portfolio of fifteen medium and small size hydro power plants (HPP's) with total installed capacity of 482,42 MW and average annual production of 1 820 GWh.

Name	Country of incorporation	EPGG Group ownership interest		Type of operation
		2016	2015	
JSC Zahesi	Georgia	100%	100%	Hydro Power Plant

JSC Zahesi ("Zahesi") was incorporated on 21 October 2008 and is domiciled in Georgia. Zahesi is a joint stock company limited by shares and was set up in accordance with the Georgian legislation. Zahesi's principal business activity is generation of electricity.

Zahesi's registered address is 1 Kaskadi Street, Zahesi, Tbilisi, Georgia.

The number of employees of EPGG as of 30 June 2017 was 469.

Nova Technology JSC ("Nova")

Nova is a joint stock company and was established on 19 March 2007. The identification number of Nova is 248429598.

Nova provides a variety of services to companies outside the Group, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows and java terminals and other related services.

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

The number of Nova's employees as of 30 June 2017 and 2016 was 257 and 240, respectively.

ENERGO-PRO Bulgaria EAD ("EPB")

EPB is a joint stock company established on 13 September 2000. The registered address of the company is Floor 5, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria, identification number of the company is 130368870.

EPB is the biggest private producer of electricity from hydro power plants in Bulgaria. With a total installed capacity of 166 MW and average annual production of 456GWh EPB is also the largest private generator of renewable energy in the country. Presently, EPB owns and operates fourteen hydropower plants.

Presently EPB Group owns and operate fourteen hydropower plants (HPP). Ten of the plants are united in four cascades – Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

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

Name	Location	Share
"PIRINSKA BISTRITSA - ENERGIYA" AD	BULGARIA	100%
"PIRINSKA BISTRITSA - KASKADI" EAD	BULGARIA	100%
"UVEKS - PRO" OOD	BULGARIA	100%
LUKEL EOOD (up to 2 August 2016)	BULGARIA	100%
OGOSTA-ENERGYA EOOD (up to 1 October 2016)	BULGARIA	100%

Pirinska Bistritsa Energia AD ("PBE")

PBE is duly registered by the Sofia City Court under company file № 10295/2000 with seat 2 Pozitano square, fl. 5, 1000 Sofia, Bulgaria. Its main activity is study, design, and construction, funding and operation of hydro power plants. PBE is owner of two HPPs, united in one cascade. The plants are located in the village of Gorno Spanchevo close to the village of Pirin.

Pirinska Bistritsa Kaskadi AD ("PBK")

PBK is registered in Bulgaria and its main business is management and rent of HPP facilities. Due to EPB restructuring carried out in 2014, HPP facilities were contributed in kind into PBE capital.

Uveks – Pro OOD ("Uveks")

Uveks is registered in Bulgaria and its main activity is construction, maintenance and operation of hydro power plants.

The number of employees of EPB Groupas at 30 June 2017 and 2016 was 159 and 176, respectively.

ENERGO-PRO Trading EAD ("EPT")

EPT was registered at the Registry Agency with UIC 201398872 on 26 January 2011, with its headquarters at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria. Its main activity is trade, import and export of electricity power, coordination of balancing groups, (ENERGO-PRO Trading is licensed as a "Coordinator of a standard balancing group", who is responsible for covering the client's imbalances of electric energy generation and consumption. It provides optimization of its client's energy schedules to reduce losses from imbalances).

EPT actively trades with electricity in Bulgaria as well as its neighboring countries.

The number of employees of EPT as at 30 June 2017 and 2016 was 8 and 7, respectively.

Reşadiye Hamzali Elektrik Üretim Sanayi ve Tic. A.S. ("RH")

RH is a joint stock company established on 14 August 1986. The registered address of RH is Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-Ankara , identification number of RH is 61662.

The main activities of RH involves operating five hydro power plants and trading with electricity produced through those plants. The total installed capacity of the HPP's is 95 MW and the average annual production is 580 GWh.

The number of employees of RH as at 30 June 2017 and 2016 was 97 and 107, respectively.

ENERGO-PRO Guney Elektrik Toptan Satış İthalat İhracat VE Tic. A.S. ("EPTop")

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

The number of employees of the EPTop as of 30 June 2017 and 2016 was 6 and 6, respectively.

ENERGO-PRO VARNA EAD ("EPV")

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

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

As at June 30, 2017 EPV directly owns shares in the following subsidiaries:

- ENERGO-PRO Grid AD - 93.10%;
- ENERGO-PRO Sales AD - 99.73%;
- ENERGO-PRO Energy Services EOOD - 100%.

ENERGO-PRO Grid AD ("EP Grid") is registered in the Trade Register to the Registration Agency with EIK 104518621 with its permanent address at Varna, Varna Towers – E, 258 Vladislav Varnenchik Blvd. EP Grid distributes electricity by operating, maintaining and developing the electricity distribution network as well as the auxiliary facilities and networks and transmitting electricity along the grid.

ENERGO-PRO Sales AD ("EPS") is registered in the Trade Register to the Registration Agency with EIK 103533691 with its permanent address Varna, Varna Towers – G, 258 Vladislav Varnenchik Blvd. EPS is engaged in the activity of electricity supply to more than one million customers and provides related services.

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

The number of employees of the EPV Group as of 30 June 2017 and 2016 was 2 359 and 2 349, respectively.

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

MGW is a limited liability company established on 8 December 1994. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the company is 62061780. The main activities of MGW are consultancy in hydro energy sector and assembling of hydro technical facilities.

The number of employees of the MGW as of 30 June 2017 and 2016 was 38 and 38, respectively.

ENERGO-PRO IYI Dere Elektrik Üretim Sanayi VE Ticaret, A.S. ("EPIDere")

EPIDere is a joint stock company established on 27 April 2017. The registered address of EPIDere is Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-Ankara, identification number is 407035. The company was established to acquire one new project but it did not materialized.

Related party companies⁹

Dolnolabské elektrárny a.s. ("DEL") is a joint stock company established on 15 May 2000. DEL is a company controlled by the shareholders Jaromír Tesař (62%), Petr Tesař (5%) and Jan Motlík (33%). The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number of the company is 26176165. The main activity of DEL is the operation of a newly constructed hydro power plant Litomerice on the Labe river in the Czech Republic.

ENERGO - PRO MVE, s.r.o. ("EPMVE") is a limited liability company established on 11 January 2016. The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number of the company is 04704975. The main activity of EPMVE is operation of Brandys nad Labem HPP on the river Labe in the Czech Republic.

ENERGO-PRO Industries, s.r.o. ("EP Industries") – former Celveti Estates s.r.o., change of business name in 2016) is a limited liability company established on 5 February 2014. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. EP Industries is a mother company

⁹ i.e. sister companies or group of companies that do not form part of the ENERGO-PRO Group and their shareholder is the entity DK Holding Investments, s.r.o. apart from Takedakodon, s.r.o. and Terestra-Bulgaria EOOD which are wholly owned by Mr. Jaromir Tesar.

of Litostroj Power d.o.o.Group ("LP Group") and directly owns 100% of its shares. LP Group activities are focused on two major segments – design and production of energy and industrial equipment.

LP Group unifies these entities:

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

ČKD Blansko Engineering, a.s. ("CBE") is a joint stock company established in the Czech Republic. The registered address of the company is at Čapkova 2357/5, 678 01 Blansko, Czech Republic.

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

ÇKD – Litostroj Turkey Türbin İmalat Sanay ve Tic. A.S. is a joint stock company established in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

ENERGO-PRO Turkish Development s.r.o. ("EPTD") is a limited liability company established on 6 October 2016 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05457696. EPTD is a mother company of Turkish entity "Bilsev Enerji Üretim VE Ticaret A.S." which manages the project of dam and HPP Karakurt construction.

Berta Enerji Elektrik Üretim Sanay ve Tic. A.S. ("Berta") is a joint stock company established on 11 May 2016 in Turkey. The registered address of the company is at Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-Ankara , identification number of RH is 396111. The main activity of the company is greenfield assets project of 3 HPP's and dam development in Turkey on the river Berta. Berta cascade is currently in an early development phase (no building permit was granted – expected in 2018 year).

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

ENERGO-PRO Hydro Development, s.r.o. ("EPHD") is a limited liability company established on 20 February 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05831407. EPHD is a mother company of Turkish entity "Murat Nehri Enerji Üretim A.S." which owns the project of Alpaslan Dam and HPP construction.

ENERGO-PRO Assets Turkey s.r.o. is a limited liability company established on 28 March 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 05962021. Currently, the company does not generate any results. As of the end of 2016 and half year 2017 ENERGO-PRO Assets Turkey s.r.o. was a dormant entity.

ENERGO-PRO Hydro Power Sarl is a limited liability company established on 13 May 2017 with registered address of Twin Center, Tour Ouest, 8 EME ETG, Angle BD Zerkouni ET Al Massira, 20000, Casablanca, Morocco. The identification number is 378313. Currently, the company does not generate any results. As of the end of 2016 and half year 2017 ENERGO-PRO Hydro Power Sarl was a dormant entity.

TAKEDAKODON, s.r.o. is a limited liability company established on 28 January 2013 with registered address of Na poříčí 1079/3, Nové Město, 110 00 Praha 1, Czech Republic. The identification number is 29411149.

Basis of preparation.

These condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") for the period of six months ended 30 June 2017 for ENERGO-PRO a.s. and its subsidiaries (together referred to as the "Group"). These condensed consolidated financial statements have been prepared under the historical cost convention.

Going concern

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

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

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

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

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

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

Changes in estimates

When preparing interim condensed consolidated financial statements, the management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses. The actual results may differ from the judgements, estimates and assumptions made by management and will seldom equal fully to the estimated results.

When preparing these interim condensed consolidated financial statements, the significant management judgments in applying the Group's accounting policies and the main sources of uncertainty in the accounting estimates do not differ from those disclosed in the annual consolidated financial statement of the Group as at 31 December 2016.

Summary of Significant Accounting Policies

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2016.

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

New standards, amendments and interpretations to existing standards, issued by IASB and endorsed by the EU that are not effective as yet

- **IFRS 15 "Revenue from Contracts with Customers"** adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 9 "Financial Instruments"** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).

New standards, amendments to standards and interpretations, issued by IASB, not yet endorsed by the EU

- **IFRS 14 "Regulatory Deferral Accounts"** – the EC decided not to launch the endorsement process of this interim Standard and to wait for the final Standard;
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **IFRS 17 "Insurance contracts"** – effective for annual period beginning on or after 1 January 2021;
- **Amendments to IFRS 40 "Investment Property"** – Investment property transfer - effective for annual periods beginning on or after 1 January 2018.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or contribution of assets between an investor and an associate or joint venture - deferred for an indefinite period;
- **Amendments to IAS 12 "Income Taxes"** - Recognition of deferred tax assets for unrealized losses - effective for annual periods beginning on or after 1 January 2017;
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure initiative, effective for annual periods beginning on or after 1 January 2017;
- **Interpretation of IFRS 15 "Revenue from contracts with customers"** - effective for annual periods beginning on or after 1 January 2018;
- **Amendments to IFRS 2 "Share-based Payment"** - effective for annual periods beginning on or after January 1, 2018;
- **Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" to IFRS 4 "Insurance Contracts"** - effective for annual periods beginning on or after 1 January 2018;
- **Amendments to Different Standards Improvements to IFRS (Cycle 2014-2016)** - Effective for annual periods beginning on or after January 1, 2018 And 1 January 2017;
- **IFRIC Interpretation 22 "Transactions in Foreign Currency and Advance Payments"** - in force for annual periods beginning on or after 1 January 2018;
- **Amendments to IAS 40 "Investment property"** - Transfers of investment property - effective for annual periods beginning on or after 1 January 2018;
- **IFRIC Interpretation 23 "Uncertainty in the Treatment of Income Taxes"** - effective for annual periods beginning on or after 1 January 2019.

The Group has not yet completed the assessment of potential impact of the standards referred to above.

2. Business Combinations

No new acquisition or disposal were realized during the reported period within the Group.

3. Balances and Transactions with Related Parties

At 30 June 2017, the significant outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common ¹⁰ control
Current portion of issued loans	8	28,081	25,628
Trade accounts receivable		5	1,116
Current portion of loans and borrowings	7	4	4,130
Other current assets	9	27,000	-
Trade and other payables		2,344	6,462
Non-current portion of loans and borrowings		1,169	-

¹⁰ Entities under common control – „Related parties“ chapter – sister companies or group of companies that do not form part of the ENERGO-PRO Group and their shareholder is the entity DK Holding Investments, s.r.o.

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

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	8	-	24,600
Other receivables		27,836	-
Non-current portion of loans and borrowings		-	1
Current portion of loans and borrowings	7	23,614	3,958

The income and expense items with related parties for the 6 months period ended 30 June 2017 were as follows:

(EUR'000)	Shareholders	Entities under common control
Sale of services	3	210
Interest income	14	506
Other Income	-	97
Interest expense	936	127
Purchased service	-	1

The income and expense items with related parties for the 6 months period ended 30 June 2016 were as follows:

(EUR'000)	Shareholders	Entities under common control
Sale of services	-	49
Interest income	20	190
Other Income	-	1,932
Interest expense	-	349

4. Property, Plant and Equipment

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Other fixed assets	Total
Net book value						
31 December 2016	65,365	380,102	5,336	15,502	6,143	472,448
30 June 2017	64,459	370,855	7,002	21,246	6,142	469,704

The highest portion of the additions is realized mainly by EPG. Technical plant and machinery additions is related to the network rehabilitation, new connections and transmission line rehabilitation. Assets under construction additions consist of network rehabilitation and individual remetering projects, as well as high voltage transmission line rehabilitation projects.

5. Goodwill

(EUR'000)	31 Dec 2016	Exchange differences	30 June 2017
Nova	5,836	-	5,836
EPG	507	9	516
EPB	24,874	-	24,874
RH	16,171	(1,184)	14,987
EPGG	24,681	446	25,127
Total carrying amount of goodwill	72,069	(729)	71,340

For the period ended on 30 June 2017 no significant changes in Group's operating activity leading to impairment indications of intangible assets arose.

6. Intangible assets

(EUR'000)	Electricity generation licenses	Software	Customer list	Other	Total
Net book value					
31 December 2016	62,753	780	9,540	235	73,308
30 June 2017	57,870	1,241	8,907	171	68,189

According to the provisions of IAS 36 Impairment of assets at the end of each reporting period impairment test is carried out as to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, recoverable amount and the impairment loss shall be estimated for the individual asset. Based on this review impairment loss amounting to EUR 3, 762 thousand (BGN 7,358 thousand) is recognised as at 31 December 2016.

For the period ended on 30 June 2017 no significant changes in Group's operating activity leading to impairment indications of intangible assets arose.

7. Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings, evaluated on yearly basis. The Group was in compliance with the covenants as of 31 December 2016 (for the period January – June 2017 the covenants are not evaluated as it is not required by loan agreements).

(EUR'000)	30 June 2017	31 December 2016
Non-Current portion of borrowings:		
Czech Export Bank (Czech Republic) (i)	216,539	247,208
TBC Bank (Georgia) (ii)	1,021	1,960
PPF Bank (Czech Republic) (ii)	10,008	10,013
Bonds (iii)	111,620	109,114
Other	17	1
Total long-term portion of borrowings	339,205	368,296
Current portion of borrowings		
Czech Export Bank (Czech Republic) (i)	48,336	61,716
TBC Bank (Georgia) (ii)	29,708	11,346
VTB Bank (Georgia) (ii)	9,379	7,796
Sloane Park Property Trust H.B (iv)	12,847	11,987
DK Holding Investments, s.r.o.(iv)	4	23,614
Dolnolabské elektrárny a.s. (iv)	4,130	3,958
Eurobank Bulgaria AD – (ii)	20,381	20,083
IS Bank (Georgia) (ii)	3,596	3
Pasha Bank (Georgia) (ii)	4,001	-
Other	244	1
Total current portion of borrowings	132,626	140,504
Total borrowings	471,831	508,800

In the carrying value of the bank loans (Czech Export Bank, PPF Bank) are also included deferred financial expenses (loan insurance costs, commitment fee, front-end management fee – in total 9,497 EUR as of 30 June 2017) which decrease the carrying value in comparison with the outstanding amount of the principal in the detailed schedule below.

Information on the non-current and current portion of borrowings is provided for each loan within paragraphs (i) to (iv):

(i) Czech Export Bank

Czech Export bank provided the financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit original currency (fully withdrawn) (EUR'000)	Credit balance 30 June 2017 (EUR'000)	Maturity Date
Facility A	Acquisition of assets of EPG (Generation)	57,974	21,155	15-Jan-21
Facility B	Acquisition of assets of EPG (Distribution)	36,668	13,336	15-Jan-21
Facility D	Renovation and maintenance of assets of EPGG (Generation)	33,472	7,354	15-Jan-19
Facility E	Renovation and maintenance of assets EPG (Distribution)	26,777	5,768	15-Jan-19
Facility 3	Acquisition of assets of VEZ Energia Holding (EPB)	67,947	52,791	30-Oct-26
Facility T	Shares of Turkon and MNG in Resadiye Hamzali and Artvin Coruh (RH)	272,580	134,361	20-Dec-22
Total		517,412	234,765	

ENERGO-PRO Georgia JSC signed a Term Facilities Agreement with the Czech Export Bank on 3 January 2007 which was amended on 27 June 2007, 10 June 2009, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017. According to Amendment No. 3 dated 20 December 2013 the applicable interest rate is 6M EURIBOR + 1.05% p.a. effective from January 2014.

On 27 September 2012 ENERGO-PRO Bulgaria EAD entered into a new Term Facilities Agreement, No. 22547, with the Czech Export Bank (amended on 13 December 2012, 4 March 2013, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017). The purpose of the facility was to finance the acquisition of VEZ Energia Holding's companies (6 new HPPs) and the payment of the premium under the EGAP insurance. Maturity of the loan is specified in the table above as "Facility 3". The applicable interest rate is fixed at 4.21% p.a. The loan is guaranteed by a pledge agreement on ENERGO-PRO Bulgaria's EAD shares, enterprise, receivables, cash and insurance.

The annual interest rate of Facility T is fixed at 4.90% p.a. Regular instalment of the principal in 2015 was decreased by the amount of EUR 17,779 thousand and rescheduled to 2016 when the postponed principal payment was paid. Facility T is guaranteed by a pledge of commercial enterprise, by a pledge agreement on Resadiye Hamzali's shares, receivables, cash and insurance. The maturity of the facility is disclosed in the table above.

Facility	Purpose	Credit limit recalculated to (EUR'000)	Credit limit original currency (USD'000)	Credit balance 30 June 2017 (EUR'000)	Credit balance 30 June 2017 (USD'000)	Maturity date
Facility F	Financing of the costs of acquisition of the Shares and costs of EGAP Insurance (EPGG)	52,101	59,463	13,711	15,648	30-Dec-19
Facility G	Renovation and maintenance of the HPPs and distribution assets and costs of EGAP Insurance (EPGG)	17,325	19,773	6,382	7,285	31-Dec-20
Facility H	Renovation and maintenance of the Chitakhevi and Ortachala Assets (EPGG)	3,654	4,170	2,500	2,853	26-Jul-23
Facility P	Refinancing of gPower acquisition loans (EPG)	37,066	42,303	17,014	19,418	30-Dec-20
Total		110,146	125,709	39,607	45,204	

On 22 December 2009 ENERGO-PRO Georgia JSC signed a new Term Facilities Agreement with the CzechExport Bank which was amended on 23 December 2010, 16 September 2011, 26 June 2013, 9 July 2013, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017. The above stated US Dollar denominated facilities are subject of the new Term Facilities Agreement, facilities F, G, H. Facility F was provided for the financing of the costs of acquisition of the shares of the companies Satskenesi, Ortachala, Martkopi, Chitakevi, Sion Hesi and Tseri. The applicable annual interest rate is fixed and represents 5.95% p.a. Aside from the annual interest rate, ENERGO-PRO Georgia Generation JSC is obliged to pay an annual commitment fee and a front-end management fee according to the terms of the agreement.

LLC gPower signed a Term Facility Agreement No. 22430 ("Facility P") with the Czech Export Bank on 25 July 2012 (amended on 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017) in the amount of USD 42,303 thousand for the purpose of repaying loans obtained from JSC Bank of Georgia. The applicable annual interest rate is fixed and represents 4.73% p.a. The loan matures on 30 December 2020. Aside from the annual interest rate, the company was obliged to pay a loan insurance cost, which comprised USD 1,993 thousand, commitment fee, front-end management fee and other charges according to the terms of the Term Facility Agreement.

The Group has pledged all of its property, plants and equipment, cash and trade receivables as collateral to secure the loan facilities obtained from the Czech Export Bank except for the property, plant and equipment, cash and trade receivables of ENERGO-PRO Varna EAD (subsidiaries included), ENERGO PRO Trading EAD, Uveks Pro OOD, MEGAWATT SERVIS s.r.o., Nova Technology JSC, ENERGO-PRO Güney Elektrik Toptan Satis Ithalat Ihracat Ve Tic. A.Ş., LLC Zoti and JSC Zahesi.

(ii) Loans from other banks

Georgian banks: TBC Bank, IS Bank, VTB Bank and Pasha Bank provided financing to EPG by means of the following facilities:

Bank	Purpose	Credit limit (EUR'000)	Credit limit original currency (USD'000)	Credit Balance 30 June 2017 (EUR'000)	Credit Balance 30 June 2017 (USD'000)	Interest Rate %	Maturity Date
TBC Bank (i)	Working capital financing	8,771	10,000	7,177	8,182	7.35%	16 Dec 2017
	Accrued interests			20			
	Total			7,197			
TBC Bank (i)	Working capital financing	8,771	10,000	1,821	2,077	10%	16 Dec 2017
	Accrued interests			8			
	Total			1,829			
IS Bank (ii)	Repayment of loan in foreign bank and capital expenditure	3,597	4,100	3,596	4,100	7.15%	21 Dec 2017
	Accrued interests			0			
	Total			3,596			
VTB Bank	Working capital financing	5,262	6,000	5,604	6,389	7%	7 Nov 2017
	Accrued interests			12			
	Total			5,616			
		Credit limit (EUR'000)	Credit limit (EUR'000)	Credit Balance 30 June 2017 (EUR'000)	Credit Balance (EUR'000)	Interest Rate %	Maturity Date
VTB Bank	Working capital financing	3,200	3,200	1,000	1,000	6%	30 Nov 2017
	Accrued interests			2			
	Total			1,002			
VTB Bank	Working capital financing	3,200	3,200	2,119	2,119	10%	25 Dec 2017
	Accrued interests			6			
	Total			2,125			
Pasha Bank (v)	Working capital financing	4,000	4,000	4,000		6%	25 Dec 2017
	Accrued interests			1			
	Total			4,001			
TBC Bank (i)	Working capital financing	9,000	9,000	8,241	8,241	7%	1 Dec 2017
	Accrued interests			-			
	Total			8,241			
TBC Bank (i)	Working capital financing	9,000	9,000	759	759	8%	1 Dec 2017
	Accrued interests			-			
	Total			759			
		Credit limit (EUR'000)	Credit limit (GEL'000)	Credit Balance 30 June 2017 (EUR'000)	Credit Balance (GEL'000)	Interest Rate %	Maturity Date
TBC Bank (iv)	Refinancing and capital investment	10,931	30,000	2,925	8,028	8,25-9,5%	20 Dec 2018
	Accrued interests			8			
	Total			2,933			
TBC Bank (iv)	Refinancing and capital investment	10,931	30,000	6,996	19,200	12%	20 Dec 2018
	Accrued interests			32			
	Total			7,028			
TBC Bank (iii)	Working capital financing	10,931	30,000	2,296	6,302	7%	15 Dec 2017
	Accrued interests			6			
	Total			2,302			
TBC Bank (iii)	Working capital financing	10,931	30,000	438	1,204	8%	15 Dec 2017
	Accrued interests			2			
	Total			440			

(i) EPG has pledged immovable assets of subsidiary's Chkhori HPP and existing and future trade receivables from HeidelbergCement Georgia LLC and Georgian Railway JSC.

(ii) EPG has secured existing and future trade receivables from Rakeen Uptown Development LLC, Chiaturmanganum Georgia LLC, GTM Group LLC based on the concession agreement.

(iii) EPG pledged movable and immovable assets of subsidiary's Chkhori HPP, existing and future trade receivables from HeidelbergCement Georgia LLC and Georgian Railway JSC.

(iv) EPG pledged movable and immovable assets of subsidiary's Chkhori HPP, existing and future trade receivables from HeidelbergCement Georgia LLC, Georgian Railway JSC, Rustavi Steel LLC and Georgian Cement LLC.

(v) EPG has secured existing and future trade receivables from Azoti JSC, Geosteel LLC and Rusalloys LLC.

Nova

Bank	Purpose	Credit limit (EUR '000)	Credit balance 30 June 2017 (EUR '000)	Maturity Date
VTB Bank	Working capital	729	636	31-Oct-2017
	Accrued interests		0	
Total		729	636	

PPF Bank

PPF Bank Czech Republic provided financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit (EUR '000)	Credit balance 30 June 2017 (EUR '000)	Maturity Date
Facility PPF	Financing of Investments	10,000	10,000	29-Jun-2018
	Accrued interests		8	
Total		10,000	10,008	

In June 2016 the Group fully repaid Senior Loan and Mezzanine Loan made between PPF banka a.s. and ENERGO-PRO Varna EAD. In December 2016 ENERGO-PRO a.s. entered into a loan agreement with PPF Bank in the Czech Republic amounting to EUR 10,000 thousand.

The final repayment date of the loan is 29 June 2018 and the interest rate is 16% per year.

The loan obtained from PPF Bank is secured by the pledge of shares, immovable and movable assets of ENERGO-PRO MVE, s.r.o. (related company of EPas) as collateral.

Eurobank Bulgaria

Facility	Purpose	Credit limit (EUR '000)	Credit balance 30 June 2017 (EUR '000)	Maturity Date
Eurobank Bulgaria	Standard Loan	20,000	20,000	31-Oct-2017
	Accrued interests		381	
Total		20,000	20,381	

In November 2016 a company from the Group has concluded an agreement with Eurobank Bulgaria AD for a standard loan, with no right of use of the repaid amounts with credit limit EUR 20 million. The final date of repayment of principal and interest is October 31, 2017. The interest rate is fixed at a rate of 2.98%. ENERGO-PRO VARNA EAD is a joint debtor on the loan.

(iii) Bonds

	30-June-2017	31-Dec-2016
Bonds Issue		
Bonds – principal	109,902	108,701
Bonds – interest	2,455	563
Unrealised initial expense associated with the bond issue	(737)	(150)
	111,620	109,114

The unrealised initial expense includes the remuneration paid to the investment intermediary on the bond issue.

In November 2016 ENERGO - PRO VARNA EAD issued corporate bonds in the amount of EUR 130,000 thousand under the conditions of private (non-public) offering. The number of bonds is 1,300 with a nominal value of EUR 100,000. The interest rate is fixed at 3.5% per year. The issue is registered with the Central Depository with ISIN BG2100018162. The interest payment on the bonds is carried out once a year in November. ENERGO - PRO Grid AD (subsidiary) has purchased bonds amounting to EUR 21,300 thousand (BGN 41,659 thousand). In May and June 2017 ENERGO - PRO Grid AD sold 12 bonds in the amount of EUR 1,200 thousand (BGN 2,347 thousand). As at June 30, 2017, the value of the issued bonds purchased by third parties amounted to EUR 109,902 thousand (BGN 214,946 thousand) (31 December 2016: EUR 108,701 thousand (BGN 212,599 thousand)).

The maturity date of the bonds is 8 November 2023.

The bond issue is secured with a special pledge on the shares of ENERGO - PRO Sales AD and ENERGO-PRO Grid AD and shares of ENERGO-PRO Energy Services EOOD, owned by ENERGO-PRO VARNA EAD. The pledge is in favour of United Bulgarian Bank AD, which was elected as a trustee bank to the bondholders of the first General Meeting of Bondholders held on December 7, 2016. New shares and / or shareholdings, which would in the future be held by ENERGO - PRO VARNA EAD in the three companies as well as dividends, proceeds from sale and liquidation quotas are also provided as collateral.

On February 3, 2017 ENERGO - PRO VARNA EAD submitted to the Financial Supervision Commission a Prospectus for admission to trading on a regulated market of securities of a corporate bond issue.

On April 25, 2017, the Financial Supervision Commission approved the Prospectus for admission to trading on a regulated market of securities of a corporate bond issue. By decision of the Board of Directors of the Bulgarian Stock Exchange, on April 28, 2017 the issue was admitted to trading on the BSE Main Market, Bonds Segment. On May 5, 2017 the bond issue was introduced for trading on the BSE.

Loans from others

The Group was provided with the following facilities:

Creditor	Purpose	Credit limit recalculated to (EUR '000)	Credit limit original currency ('000)	Credit balance 30 June 2017 (EUR '000)	Maturity Date
Dolnolabské elektrárny a.s.	Operational loan	3,818	CZK 100,000	3,818	31-Jan-2019
	Accrued Interests			312	
Total				4,130	
DK Holding Investments, s.r.o.	Operational loan	23,550	23,550 EUR	-	10-May-2017
	Accrued Interests			4	
Total				4	
Sloane Park Property Trust	Operational loan	11,453	CZK 300,000	11,453	31-Dec-2018
H.B.	Accrued Interests			1,394	
Total				12,847	

*) Amounts included accrued interests.

According to the loan agreement signed on 25 March 2014, the Company obtained a loan from Dolnolabské elektrárny a.s. in the total amount of CZK 100,000 thousand (EUR 3,700 thousand). The annual interest rate is 1M PRIBOR+2.25% p.a.

According to the loan agreement signed on 15 December 2016, the Company obtained a loan from DK Holding Investments, s.r.o. in the total amount of EUR 23,550 thousand). The annual interest rate was 8,0% p.a. The loan was repaid in June 2017 and the outstanding amount of EUR 4 thousand are the remaining interests.

According to the loan agreement signed on 25 January 2016, the Company obtained a loan from Sloane Park Property Trust H.B. in the total amount of CZK 300,000 thousand (EUR 11,103 thousand). The annual interest rate is 8,5% p.a.

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

8. Issued Loans

(EUR'000)	30 June 2017	31 December 2016
Non-current portion of issued loans:		
Marinka Laka	135	132
Other	713	-
Total non-current portion of issued loans	848	132
Current portion of issued loans:		
Shareholders (i)	28,081	
Terestra Bulgaria	1,546	1,350
EP Industries	7,128	6,869
EP MVE	8,856	8,587
Bilsev	7,039	6,757
Takedakodon s.r.o.	1,059	1,037
Taurus Consult OOD	91	74
Other	49	228
Total current portion of issued loans	53,849	24,902
Total issued loans	54,697	25,034

- (i) The highest amount from EUR 28,081 thousand represents the former assigned receivables from EP as to DK Holding Investments, s.r.o., as of 30.6.2017 changed to issued loan. The loan agreement was signed on 6 February 2017, the interest rate is 4% per annum and the maturity is 13 February 2020.

9. Other current/ non-current assets

(EUR'000)	30 June 2017	31 December 2016
Other non-current assets (i)	2,085	523
Other current assets (ii)	35,711	8,669

- (i) The increase in non-current assets as of 30 June 2017 vs. 31 December 2016 was caused mainly by prepaid expenses for the following years and deposits and guarantees given of RH.
- (ii) In June 2017, ENERGO-PRO VARNA EAD signed a contract for the purchase of 49% of the shares of BERTA ENERJI ELEKTRIK URETIM SANAYI in TICARET ANONIM SIRKETI (BERTA) with DK Holding Investments s.r.o, Czech Republic (related party), in the amount of EUR 27 million (BGN 52,807 thousand). Pursuant to the agreement, ENERGO-PRO VARNA EAD has made advance payment for the full amount. The transfer of 49% of BERTA's capital will be made subject to the following conditions: 1. Issuance of a license for electricity production and 2. Obtaining approval by the Regulatory Council for the Energy Market in the Republic of Turkey.

10. Non-current Financial Assets

(EUR'000)	30 June 2017	31 December 2016
Restricted bank deposit	3,234	3,833
Bonds (i)	-	23,602
Other	2,167	1,828
Total non-current financial assets	5,401	29,263

- (i) In December 2015, a company from the Group acquired 23,546 number of bonds with fixed income and nominal value of EUR 1,000, issued by Tatry Mountain Resorts a.s., Slovak Republic, payable in 2018. The interest is fixed in the amount 4.5% p.a. The issue of bonds was registered by the Central Depository of Slovak Republic with ISIN SK4120009606 and name TMR I 4.50%/2018. Interest payments on the bonds take place on June 17 and December 17 every year. As of December 31, 2016 the bonds of Tatry Mountain Resorts a.s., Slovak Republic are carried out at fair value, corresponding to the Stock Exchange price of bonds, that for the amount of 23,546 number equals to EUR 23,602 thousand (BGN 46,162 thousand). In June, 2017, the bonds were sold.

11. Current and non-current provisions

The movement of the provisions is as follows:

(EUR'000)	Grid access fee (a)	Legal claims (b)	Reconnection fee	Returned energy	Access to producer (c)	Energy effectiveness (d)	Retirement benefits	(e) Other	Total
At 31 December 2016	7,412	16,212	-	-	380	2,725	2,367	5,796	34,892
Reclassification	-	-	-	-	-	-	-	-	-
Paid	-	(5,505)	-	-	-	-	(73)	(133)	(5,711)
Accrued	8	1,105	-	-	(42)	-	121	463	1,655
Financial expense	-	-	-	-	-	-	-	-	-
Reversed	-	(3,197)	-	-	(115)	-	-	(696)	(4,008)
Actuarial loss/ (profit)	-	-	-	-	-	-	-	-	-
Difference in rate of exchange	(1)	(6)	-	-	1	-	(14)	(49)	(69)
At 30 June 2017	7,419	8,609	-	-	224	2,725	2,401	5,381	26,759

(a) Grid access fee provision

Following the provisions of art.117, para 7 of Energy act, a provision has been made by EPV in order to cover potential future losses from the obligation to compensate the owners of certain grid assets for using their facilities to supply other customers with electricity. The calculation of the provision is based on a methodology given by Energy and Water Regulations Commission ("EWRC") taking into account the estimated value of the respective assets and the electricity consumption of the supplied customers. The Group distributes electricity through its own and foreign facilities. It covers potential customer claims for compensations related to the 3-year period.

(b) Provision for legal claims

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

In 2015, a major supplier filed a claim against the EPV for the cost of transportation for the period September 2012 - July 2013. The total claim is in the amount of BGN 4,618 thousand, including interest for delay until the date of filing claims.

(c) Provision for access of producers of electricity from renewable sources

With Decision of the EWRC No C 33/ 14.09.2012 and under Article 32, paragraph 4 of the Energy Act, temporary prices for access to the transmission / distribution networks have been determined for producers of electricity from renewable sources. Based on the decision of the EWRC, since September 2012 EPV invoices to the producers of electricity from renewable energy sources the prices for access to the electricity network.

Producers of electricity from renewable sources appeal before the court the temporary prices set by the EWRC Decision № C 33/ 14.09.2012. By Decision № KM-1/ 03.13.2014, EWRC determines compensatory measures under Article 32, paragraph 4 of the Energy Act for the producers of electricity from solar or wind energy, connected to the distribution network, that have not disputed EWRC Decision C 33/ 14.9.2012 or not have enforced judgements. By Decision No C-6/ 13.03.2014, EWRC set new prices for access to the transmission and distribution networks.

The calculation of the provision for the price of access to the distribution network is based on invoices issued by the EPV to the producers of electricity from renewable sources for the period.

For the period, ended June 30, 2017 and in 2016 the producers of electricity from renewable sources have filed claims against the EPV for refunding of the paid access fee. For this reason, the provision for access of producers of electricity from renewable sources is transferred in provision for liabilities related to legal claims.

(d) Provision for energy effectiveness

The EPV recognises a provision concerning the possibility of payment to Energy Efficiency Fund. The provision is based on the best estimate of the amount of the liability as at December 31, 2016, concerning this part of the goals of saving for the current year, which is the least likely to be certified.

The calculation of the contribution due is calculated by using the reference price of electricity, accepted by the EWRC, current as at June 30, 2016. The value of the obligations on energy efficiency can be influenced by reference price, which can vary each year based on the decision of EWRC.

(e) Provision for other obligations

- Provision for penalty, determined by Commission of the Protection of Competition– CPC (Bulgaria)

By decision of February 2012, the CPC has formed a proceeding under the Law on Protection of Competition (LPC) against EPV, Energy System Operator and the National Electric Company, and imposed a property sanction amounting to EUR 529 thousand (BGN 1,035 thousand) in regard with connection of a producer to the distribution network. The provision is charged on the basis of the decision of the CPC, which was appealed before the Supreme Administrative Court. The provision was fully released within the period January – June 2017, based on the positive decision of CPC.

By decision of March 2013, the CPC has formed a proceeding against EPV under CPC and imposed a property sanction amounting to EUR 136 thousand (BGN 266 thousand) in regard with connection of a producer to the distribution network. The provision is charged on the basis of the decision of the CPC, which was appealed before the Supreme Administrative Court. In January 2017, the CPC issued a decision that no infringement had been committed by EPV and the proceedings were completed in favour of EPV.. The provision was fully released within the period January – June 2017, based on the positive decision of CPC.

By decision of May 2013, the CPC has initiated proceedings against EPV under Protection of Competition Act and the financial sanctions imposed in connection with the suspension of power supply to pumping stations of Vodosnabdiavane I Kanalizacia EOOD Dobrich, due to accumulated debts. The provision was charged based on the Decision of the CPC, which is appealed before the Supreme Administrative Court. In June 2016 the provision was entirely released on the basis of a decision of the Supreme Administrative Court.

By decision of May 2015, the CPC has formed against EPV proceeding under the Law on Protection of Competition and imposed a sanction in the amount of EUR 85 thousand (BGN 167 thousand) in relation to unreasonably high prices for using the Low Voltage pillar grid. The provision is charged on the basis of the decision of the CPC, which is appealed before the Supreme Administrative Court.

By decision of November 2015, the CPC initiated proceedings against EPV under the Protection of Competition Act and imposed a pecuniary penalty of EUR 7,374 thousand (BGN 14,423 thousand) in connection with violation of Article 21 of the CPA, resulting in abuse of a dominant and monopoly of the electricity market. Since EPV believes the size of the penalty is excessive, it appeals before the Supreme Administrative Court claiming to be reduced its size to EUR 4,424 thousand (BGN 8,653 thousand). The provision is charged to the claimed reduced amount of the penalty.

- Provisions for EWRC penalties

In February and March 2014, EWRC conducted an audit to a company of EPV Group, part of which is in regard with the electricity meters under regulations of the Rules For Measuring The Quantity of Electricity. In December 2014 and January 2015 EPV is served a total of 284 number of penalty decree ("PD") in the amount of EUR 2,904 (BGN 5,680 thousand), which is fully provisioned. For the period 2015 - 2016 EPV has lost 92 lawsuits totalling EUR 941 thousand (BGN 1,840 thousand); it won 174 lawsuits totalling EUR 1,779 (BGN 3,480 thousand) and paid 15 PD in the amount of EUR 153 thousand (BGN 300 thousand), without lawsuits. During the period ended on June 30, 2017 EPV has won three court cases in the amount of EUR 31 thousand (BGN 60 thousand) and the provision is fully reversed.

On March 12, 2014 EWRC has issued a penalty decree No NP -1 to the Group in connection with set-off done on December 30, 2013 of obligations under invoices issued to EPV by NEC EAD for the purchase of electricity as an end supplier, with EPV's claims for unrecovered costs incurred in the performance of end suppliers' public obligations to purchase electricity at preferential prices for the period July 1, 2012 to June 30, 2013. EPV has notified promptly NEC EAD for the set-off made. PD is issued on the basis of the Act of Establishing of Administrative Violation (AEAV) No KRC 14 dated March 4, 2014. The issued penalty decree by EWRC to EPV is for the amount of EUR 511 thousand (BGN 1 million).

EPV has objected to AEAU claiming that EPV has not taken any actions, which are inconsistent with the Energy Act (EA) and the current Orders for determining regulatory prices.

12. Contingencies and Commitments

12.1 Legal proceedings

From time to time and in the normal course of business, claims against the Group may be initiated. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been recognized in these consolidated financial statements.

EPG

At 30 June 2017 EPG was engaged in several litigation proceedings. Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made. One of litigation proceeding amounting to EUR 2,319 thousand (GEL 6,479 thousand) was with TGR ENERJI ELEKTRIK TOPTANTIC A.S. domiciled in Turkey. As of the date of preparation of these consolidated financial statements, the litigation was resolved in favour of EPG, However the court decision has not been executed. EPG provides provision for 100% of the amount under dispute.

EPB

As at 30 June 2017 a legal claim for EUR 1, 259 thousand (BGN 2,462 thousand) related to liability - expenses for balancing power against the Group was initiated from NEK EAD. This claim is contested by the Group and it is not probable that claim would be paid by EPB.

EPB initiated an arbitration claim against NEK EAD amounting to EUR 1, 146 thousand (BGN 2,241 thousand) for damages due to illegal termination of contract for electrical energy purchase from Power Plants with 10 MW or more installed generating power.

EPB is plaintiff in other legal court trade cases with claims of financial interest amounting to EUR 291 thousand (BGN 569 thousand) as at 30 June 2017.

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

EPV

Decision of the EWRC for revoking the licence for the activity "public electricity supply"

By Decision No 01- L- 139-11, dated March 19, 2014, the EWRC has adopted a decision that initiates the revoking of the license of a company of the Group for the activity of public electricity supply. Decision No 01- L- 139-11 is issued based on AEA No KRC 14 dated March 4, 2014. Management has taken the necessary actions to submit in due time to the Regulator its written opinion on the decision for revoking of the license of the Company for the activity "public electricity supply".

The Management of the Group considers that the undertaken activities of the Group of setting off liabilities under invoices issued by NEK EAD for purchase of electricity as an end supplier, with receivables arising from non-reimbursed expenses, in connections with Group's public liabilities to purchase electricity on preferential prices for the period July 1, 2012 to June 30, 2013, are not against the current legal framework including the Energy Act and therefore there is no legal ground for starting a procedure for revoking the licence of the Group for the activity "public electricity supply".

During the period ended June 30, 2017 and in 2016 there is no movement in open proceedings for revocation of EPV's license.

In view of the above, the Group's management believes that the grounds on the basis of which KEVR (Energy and water regulatory commission) has opened proceedings to revoke the license of the EPV Activity 'public electricity supply " has dropped and therefore the Group continues to apply the going concern principle.

There are uncertainties related to proceeding under the Protection of Competition Act and other legal actions against the Group as described in Note 11 (b) and 11 (e).

The Management believes that there is a possibility of a positive development in above mentioned cases and that provisions recorded by the Group are sufficient.

– **PPE without ownership documents**

In regard with the separation of EDC Gorna Oryahovitsa (former name of ENERGO-PRO Grid AD) and EDC Varna (former name of ENERGO-PRO Sales AD) from the National Electricity Company (NEC) effected in 2000, the Companies from the Group acquired certain land and buildings with insufficient ownership deeds. As at June 30, 2017 the Group's net book value of such assets is EUR 1,615 thousand (BGN 3,159 thousand) (as at December 31, 2016: EUR 1,673 thousand (BGN 3,273 thousand)).

The Companies are in process of acquiring of the necessary title deeds. In these financial statements no current liabilities have been recognised in relation to these assets. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date. Management believes that these liabilities are immaterial, if any.

12.2 Tax legislation

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

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

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

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

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

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

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

12.3 Assets pledged and restricted

Group has pledged all shares, property, plant and equipment, cash, insurance and trade receivables of EPas, EPB, RH, gPower, EPG and EPGG as collateral to secure the loan facilities obtained from the Czech Export Bank.

The Group has pledged all shares of ENERGO-PRO Varna EAD, all shares of ENERGO-PRO Energy Services EOOD, all shares of ENERGO-PRO Grid AD and all shares of ENERGO-PRO Sales AD as collateral to secure the bonds emission of ENERGO-PRO Varna EAD issued in November 2016.

12.4 Environmental matters

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

12.5 Contingent assets

RH received guarantee letters amounting to EUR 7 thousand (TRY 25 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

EPas is in arbitration proceedings with the Republic of Bulgaria. EP as claims that the Republic of Bulgaria has violated its obligations arising out of the Agreement between the Czech Republic and the Republic of Bulgaria for the Promotion and Reciprocal Protection of Investments and the Energy Chart Treaty. EP as claims compensation of damage.

12.6 Contingent liabilities

RH issued guarantee letters amounting to EUR 1,831 thousand (TRY 7,328 thousand). Guarantee letters issued are mainly given to the Energy Market Regulatory Authority ("EMRA"), TEİAŞ and various electricity distribution institutions.

There is conveyance over the receivables of RH amounting to EUR 117,312 thousand (TRY 469 602 thousand), 31 December 2016: EUR 117,312 thousand (TRY 435,218 thousand) for the investment loan obtained from Czech Export Bank. Commercial enterprise pledge amounting to EUR 550,000 thousand (TRY 2,201,650 thousand), 31 December 2016: EUR 550,000 thousand (TRY 2,040,445 thousand) has been given a guarantee for the loan obtained from Czech Export Bank.

Financial guarantees were issued by JSC Zahesi and ENERGO-PRO VARNA EAD in the amount of EUR 5,000 thousand and USD 35,000 thousand, respectively, and represent collateral for a loan of DK Holding Investment s.r.o., Czech Republic from SATORANIX, Cyprus, amounting to USD 110 million.

EP as has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 166,000 thousand loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 30 June 2017, USD 40,927 thousand was drawn under this facility).

EP as has issued guarantees related to the loans received from Czech Export Bank, concretely in regard to EPB, EPG, EPGG and RH.

EP as has issued a guarantee in favour of a club of banks in connection with a EUR 8,000 thousand revolving facility for Litostroj Power, d.o.o.. The guarantee is for 50% of the drawn amount (as of 30 June 2017, EUR 3,896 thousand was drawn under this facility).

Unicredit Bulbank AD has issued in name of EPT a bank guarantee to various subjects (IBEX EAD, AXPO Trading AG, ESO EAD, IBEX EAD, NPP Kozloduy EAD, Transelectrica, OPCOM) in total amount of EUR 1,966 thousand.

12.7 Commitments

As at December 31, 2016 EPV has entered into connection contracts under which the other party is obliged to build the connection facilities. EPV has committed to purchase these facilities after they have been finished. The Management has made an assessment of the commitments, for which financial information is available, and as at June 30, 2017 it amounted to EUR 4,620 thousand (BGN 9,035 thousand).

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

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

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

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

As of 31 December 2016 and 30 June 2017, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

13. Income taxes

The income tax expense comprises the following:

(EUR'000)	30 June 2017	30 June 2016
Current tax (i)	(1,336)	(8,109)
Deferred tax (ii)	284	25,540
Income tax expense for the period	(1,052)	(17,431)

(i), (ii)

The difference in current and deferred tax as of 30 June 2017 and 30 June 2016 is caused mainly by tax changes in Georgia. In May 2016, the parliament of Georgia approved a change in the current corporate taxation model with changes applicable on 1 January 2017 (for all entities apart from certain financial institutions), which affected EPG. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to EPG's profit before tax, regardless of the retention of distribution status. The change had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognized temporary differences arising from prior periods. As a result, EPG wrote off all deferred tax liability in the first six months of 2016.

14. Operating Segments ENERGO-PRO Group

Operating Segments of the Group are individual foreign subsidiary companies as stated in below mentioned analysis and their concrete operation. These companies are managed on the local level (local Board of Directors), the mother company provides supervision and takes key strategic decisions.

Income Statement items Operating Segments (EUR thousand)	Revenues		Intersegment Revenues		Income before tax	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Key entities EP Group						
ENERGO-PRO Bulgaria	8,486	14,630	4,650	9,000	1,827	7,048
ENERGO-PRO Varna	255,628	248,807	6,637	1,559	7,933	4,661
Resadiye Hamzali	16,911	28,665	358	30	(6,325)	7,970
ENERGO-PRO Georgia	115,737	113,407	0	0	6,023	24,446
ENERGO-PRO Georgia Generation	10,453	0	9,942	0	6,902	0
Other (complementary entities of the Group)	52,317	38,221	27,074	20,735	27,198	(2,367)
Total Group	459,532	443,730	48,661	31,324	43,558	41,758
Excluded differences in the consolidation (i)					31,134	662
CONSOLIDATION TOTAL					12,424	41,096

(i) The stated differences are excluded intercompany relations, mainly in regard to financial investments, property, plant and equipment movements within the Group, mutual receivables and liabilities from the loans.

Balance Sheet items		Total Assets		Total Liabilities	
Operating Segments (EUR thousand)					
Key entities EP Group	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016	
<i>ENERGO-PRO Bulgaria</i>	92,226	92,342	56,464	58,153	
<i>ENERGO-PRO Varna</i>	332,409	375,467	229,167	248,211	
<i>Resadiye Hamzali</i>	140,346	153,796	144,044	152,360	
<i>ENERGO-PRO Georgia</i>	279,133	364,922	128,262	163,599	
<i>ENERGO-PRO Georgia Generation</i>	100,988	0	34,307	0	
<i>Other (complementary entities of the Group)</i>	256,392	238,172	194,738	204,384	
Total Group	1, 201,494	1, 224,699	786,982	826,707	
<i>Excluded differences in the consolidation</i>	334,973	309,132	168,164	148,711	
CONSOLIDATION TOTAL	866,521	915,567	618,818	677,996	

15. Financial Risk management

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

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

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

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group did not use in 2016 and six months of year 2017 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

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

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

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

16. Fair Value of financial instruments

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

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

- Trade and other receivables;
- Cash and cash equivalents;
- Loans;
- Borrowings
- Bonds
- Trade and other payables.

17. Events after the reporting period

In August, 2017, EPG purchased in auction the distribution assets from JSC "Kakheti Energy Distribution" Kakheti region. With this acquisition, EPG has strengthened its position in Georgian energy market and will cover 85% of the territory.

No other events occurred between the interim condensed consolidated financial statements date and the date when interim condensed consolidated financial statements are authorized for issue requiring adjustments and/or disclosure in the interim condensed consolidated financial statements for the period ended on 30 June 2017.



ENERGO - PRO a.s.

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2016

INDEPENDENT AUDITOR'S REPORT To the Shareholder of ENERGO - PRO a.s.

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

Opinion

We have audited the accompanying consolidated financial statements of ENERGO - PRO a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 29 section "EPV" to the accompanying consolidated financial statements which describes the uncertainty related to the outcome of the legal proceedings and litigations. Our opinion is not modified in respect to this matter.

Other Information in the Consolidated Annual Report

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

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

In Prague on 30 June 2017

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Pavel Raštica
registration no. 2180



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Consolidated Statement of Financial Position
Year ended 31 December 2016

(EUR'000)	Note	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2014 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	7	472,448	519,173	577,469
Prepayments for property, plant and equipment		3	3	221
Goodwill	8	72,069	76,508	83,067
Other intangible assets	9	73,308	108,965	124,821
Non-current financial assets	11	29,263	28,256	28,717
Deferred tax assets	28	984	1,247	1,266
Non-current portion of issued loans	10	132	-	46
Other non-current assets		523	116	284
Total non-current assets		648,730	734,268	815,891
Current assets				
Inventories	12	7,677	8,086	6,965
Trade and other receivables	13	138,861	103,683	127,815
Current income tax asset		4,422	3,919	4,685
Current portion of issued loans	10	24,902	22,275	14,462
Cash and cash equivalents	14	82,306	43,567	65,216
Other current assets	15	8,669	11,902	15,983
Total current assets		266,837	193,432	235,126
TOTAL ASSETS		915,567	927,700	1,051,017
EQUITY				
Authorised share capital	16	3,569	3,569	3,569
Translation reserve		(37,444)	(22,145)	11,541
Retained earnings	17	258,236	199,923	196,612
Equity attributable to the company's owners		224,361	181,347	211,722
Non-controlling interest		13,210	13,464	24,477
TOTAL EQUITY		237,571	194,811	236,199
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	28	8,201	32,528	40,540
Provisions	20	9,678	10,792	10,744
Borrowings	21	368,296	399,917	459,180
Non-current financial liabilities	18	214	5,630	5,266
Other non-current liabilities	19	23,499	24,690	26,634
Total non-current liabilities		409,888	473,557	542,364
Current liabilities				
Provisions	20	25,214	36,490	31,764
Trade and other payables	22	77,043	69,784	73,637
Income tax payable		4,295	598	572
Borrowings	21	140,504	132,789	148,775
Other current liabilities	23	21,052	19,671	17,706
Total current liabilities		268,108	259,332	272,454
Total liabilities		677,996	732,889	814,818
TOTAL LIABILITIES AND EQUITY		915,567	927,700	1,051,017

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 30 June 2017.

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of Comprehensive Income
Year ended 31 December 2016

(EUR'000)	Note	2016	2015 Restated
Revenue			
Sales of electricity in local markets		603,716	578,155
Cross border sales of electricity		18,805	14,988
Grid components of electricity sales price		166,546	137,381
Services and other		27,946	22,101
Total revenue		817,013	752,625
Other income	27	7,422	5,526
Purchased power		(437,528)	(446,125)
Service expenses	24	(133,342)	(101,066)
Labour costs	29	(60,247)	(57,990)
Material expenses		(5,107)	(7,353)
Tax expenses		(4,148)	(6,765)
Other operating expenses	25	(20,424)	(20,076)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)		163,639	118,776
Depreciation and amortisation expense	7,9	(47,959)	(52,394)
Earnings before financial expenses and taxes (EBIT)		115,680	66,382
Finance income	26	3,548	3,041
Finance costs	26	(67,188)	(68,617)
Finance costs – net		(63,640)	(65,576)
Income before income tax (EBT)		52,040	806
Income tax	28	(12,322)	(5,400)
Deferred taxes	28	19,394	2,935
Total income tax expense		7,072	(2,465)
Profit/(loss) for the year		59,112	(1,659)
Profit/(loss) attributable to:			
- Owners of the company		57,761	(2,302)
- Non-controlling interest		1,351	643
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(15,256)	(33,482)
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss			
Gross amount		(86)	(124)
Tax effect			-
Net amount		(86)	(124)
Other comprehensive income/(loss)		(15,342)	(33,606)
Total comprehensive income/(loss)		43,770	(35,265)
Total comprehensive income attributable to:			
- Owners of the company		42,419	(35,899)
- Non-controlling interest		1,350	634

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 30 June 2017.

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of changes in equity
Year ended 31 December 2016

(EUR'000)	Note	Equity attributable to the company's owners			Total equity	Non-controlling interest	Total equity
		Authorised ("Unpaid") share capital	Translation reserve	Retained earnings and other reserves			
At 1 January 2015 Restated	16	3,569	11,541	196,612	211,722	24,477	236,199
Net income for the period		-	-	(2,302)	(2,302)	643	(1,659)
Other comprehensive income		-	(33,482)	(115)	(33,597)	(9)	(33,606)
Comprehensive income for the period		-	(33,482)	(2,417)	(35,899)	634	(35,265)
Disposal component of the group		-	(236)	633	397	-	397
-Acquisition of non-controlling interest in Energo-Pro Grid AD		-	-	7,646	7,646	(18,816)	(11,170)
-Sales of investment and MI in Energo-Pro Grid AD		-	-	(5,483)	(5,483)	13,083	7,600
-Acquisition of non-controlling interest in Energo-Pro Sales AD		-	-	3,151	3,151	(5,914)	(2,763)
Other changes in equity		-	32	(219)	(187)	-	(187)
31 December 2015 Restated		3,569	(22,145)	199,923	181,347	13,464	194,811
Net income for the period		-		57,761	57,761	1,351	59,112
Other comprehensive income		-	(15,256)	(85)	(15,341)	(1)	(15,342)
Comprehensive income for the period		-	(15,256)	57,676	42,420	1,350	43,770
Dividends payable to non-controlling interest		-	-	-	-	(1,604)	(1,604)
Other changes in equity		-	(43)	637	594	-	594
31 December 2016		3,569	(37,444)	258,236	224,361	13,210	237,571

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 30 June 2017.

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of Cash Flows
Year ended 31 December 2016

(EUR'000)	Notes	2016	2015 Restated
Profit/(loss) before income tax		52,040	806
Adjusted for:			
Depreciation and amortization expense	7,9	51,695	52,394
Finance income	26	(2,452)	(2,229)
Finance costs	26	26,939	28,517
Changes in provisions and impairment		(8,397)	9,674
Assets granted free of charge		(834)	(1,006)
Inventory surplus		(1,174)	(490)
(Gain)/Loss on disposal of property, plant and equipment		4,858	(164)
Inventory obsolescence expense		153	182
Other changes - difference in the rate of exchange etc.		31,448	42,101
Cash inflow from operating activities before changes in operating assets and liabilities		154,276	129,785
Movements in working capital			
Decrease/(increase) in inventories	12	1,430	(813)
Decrease /(increase) in trade accounts receivable	13	(16,978)	12,908
(Increase)/decrease in other current assets	15	2,105	5,228
Increase/(decrease) in trade and other payables	22	8,869	(14,615)
Increase/(decrease) in other liabilities	23	2,655	411
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		152,357	132,904
Interest received		1,957	1,675
Income tax paid		(6,083)	(5,860)
Net cash (outflow)/inflow from operating activities		148,231	128,719
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired (-),	31	13,172	-
Disposal of subsidiaries, net of cash of entities disposed			-
Purchases of property, plant and equipment and intangible assets	7,9	(36,777)	(34,665)
Proceeds from sale of property plant and equipment		1,965	120
Loans granted	10	(75,248)	(8,725)
Loans repaid	10	44,960	358
Net change in deposits granted	13	(2,125)	(145)
Acquisition of non-controlling interest in subsidiaries	31	-	(6,333)
Purchased bonds		(15)	134
Net cash outflow from investing activities		(54,068)	(49,256)
Cash flows from financing activities			
Proceeds from borrowings	21	299,623	109,266
Repayment of borrowings	21	(441,604)	(188,441)
Issued bonds		108,700	-
Interest paid		(20,539)	(21,937)
Dividends paid to non-controlling interest		(1,604)	-
Net cash used in financing activities		(55,424)	(101,112)
Net increase/(decrease) in cash and cash equivalents		38,739	(21,649)
Cash and cash equivalents at the beginning of the year	14	43,567	65,216
Cash and cash equivalents at the end of the year	14	82,306	43,567

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 30 June 2017.

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil

Ourada

1. ENERGO-PRO Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2016 for ENERGO - PRO a.s. and its subsidiaries (together referred to as the "Group").

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

The former shareholders of EPas, Mr. Jaromir Tesar and Mr. Jiri Krusina, took the decision to change the shareholder structure of the Group and at the beginning of 2016 they divided their assets. Mr Jaromir Tesar became the sole shareholder of the Group. The newly established holding remains active in the hydro power sector and energy sector (operation, distribution, trade). After the split of the assets all activities from abroad remain with Mr. Jaromir Tesar and he stays active in the Czech Republic as an owner of two hydropower plants (HPP Litomerice in which he has a share of 62% and HPP Brandys nad Labem). On 25 January 2016, 100% of the shares of EPas were transferred to **DK Holding Investments s.r.o.**, which is wholly owned by Mr Jaromir Tesar (registered in the register of companies on 1 February 2016)..

Full organizational structure as of the end of 2016 is mentioned in Chapter 4. of this Annual Report.

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

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

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

Name	Location	Share
ENERGO - PRO a.s.	Czech Republic	parent
ENERGO-PRO GEORGIA JSC	Georgia	100%
Nova Technology JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Trading EAD	Bulgaria	100%
ENERGO-PRO VARNA EAD	Bulgaria	100%
Reşadiye Hamzalı Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO GÜNEY ELEKTRİK TOPTAN SATIŞ İTHALAT		
İHRACAT VE TİCARET A.Ş.	Turkey	100%
MEGAWATT SERVİS s.r.o.	Czech Republic	100%

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

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

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

List o Group's operational sources:

Location	Hydro power plants	Installed capacity (MW)
1. Bulgaria	Koprinka Cascade (2 HPP's ¹)	29.4
2. Bulgaria	Pirinska Bistritsa Cascade (2 HPP's ²)	50.0
3. Bulgaria	Sandanska Bistritsa Cascade (3 HPP's ³)	56.4
4. Bulgaria	Petrohan Cascade (3 HPP's ⁴)	16.7
5. Bulgaria	Ogosta	4.9
6. Bulgaria	Samoranovo	2.9
7. Bulgaria	Katuntsi	3.5
8. Bulgaria	Karlukovo	2.3
9. Georgia	Atsi	18.4
10. Georgia	Rioni	49.9
11. Georgia	Gumati Cascade (2 HPP's ⁵)	69.5
12. Georgia	Ladjanuri	113.7
13. Georgia	Shaori Cascade (2 HPP's ⁶)	119.2
14. Georgia	Chitakhevi	21.0
15. Georgia	Satskhenesi	14.0
16. Georgia	Ortatshala	18.0
17. Georgia	Martkopi	3.9
18. Georgia	Sioni	9.0
19. Georgia	Zaghesi	41.0
20. Georgia	Kinkisha	0.8
21. Georgia	Chkhorotsku	5.0
22. Turkey	Hamzali	16.7
23. Turkey	Aralik	12.4
24. Turkey	Resadiye Cascade ⁷	65.6
Gas power plants		
25. Georgia	Gardabani	110
Total		854.2

As of 31 December 2016 the following green field projects are being developed:

Location	Dam and hydro power plant	Installed capacity (MW)
Turkey	Karakurt (construction phase)	99.5
Transmission line		Capacity (MW)
Georgia	154 kV Transmission line incl. HVDC to Turkey	350

The number of employees of the Group as of 31 December 2016 and 2015 was 8,265 and 8,192 respectively (including employees of ENERGO - PRO a.s. and MEGAWATT SERVIS s.r.o.).

Subsidiaries

JSC ENERGO-PRO Georgia ("EPG")

¹ Koprinka HPP; Stara Zagora HPP

² Spanchevo HPP; Pirin HPP

³ Sandanski HPP; Popina Laka HPP; Lilyanovo HPP

⁴ Klisura HPP, Barzia HPP, Petrohan HPP

⁵ Gumati I HPP; Gumati II HPP

⁶ Shaori HPP; Dzevrula HPP

⁷ Resadiye I; Resadiye II; Resadiye III

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

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

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

EPG's principal business activity is generation and distribution of electricity.

EPG manages and maintains medium and small size hydro power plants.

EPG distributes electricity to all regions of Georgia except for capital city Tbilisi and Kakheti region and covers 70% of the territory of Georgia. EPG serves over 1 million customers through its electricity distribution network.

EPG's registered address is 19 Sandro Euli Street, 0186 Tbilisi, Georgia.

Name	Country of incorporation	The Group ownership interest		Type of operation
		2016	2015	
LLC gPower	Georgia	100%	100%	Gas-fired power plant
JSC Zahesi	Georgia	100%	100%	Hydro Power Plant
LLC Zoti Hydro	Georgia	95%	95%	Hydro Power Plant Construction (dormant)

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

LLC gPower's principal business activity is provision of guaranteed capacity and generation of electricity.

Guaranteed capacity insures stable and reliable functioning of unified electric energy system of Georgia. The period of standby mode and minimum volume of guaranteed capacity are regulated by the Government of Georgia, while tariffs are determined by Georgian National Energy and Water Supply Regulatory Commission (“GNERC”).

gPower's registered address is 19 Sandro Euli Street, 0186 Tbilisi, Georgia.

JSC Zahesi (“Zahesi”) was incorporated on 21 October 2008 and is domiciled in Georgia. Zahesi is a joint stock company limited by shares and was set up in accordance with the Georgian legislation. Zahesi's principal business activity is generation of electricity. Zahesi owns and operates one medium size, Zahesi Hydro Power Plant (“Zahesi HPP”) and two small size, Chkhori Hydro Power Plant (“Chkhori HPP”) and Kinkisha Hydro Power Plant (“Kinkisha HPP”), with an installed capacity of 43.3 megawatts.

Zahesi's registered address is 1 Kaskadi Street, Zahesi, Tbilisi, Georgia.

LLC Zoti Hydro („Zoti“) was established on 25 November 2008, by 95% participation of EPG and 5% participation of LLC Guria Energy. Zoti's principal business activity is construction and operation of Hydro Power Plants. As of the end of 2016 Zoti was a dormant entity.

Zoti's registered address is 19 Sandro Euli Street, 0186 Tbilisi, Georgia.

The number of employees of EPG as of 31 December 2016 and 2015 was 5,351 and 5,253, respectively.

Nova Technology JSC ("Nova")

Nova is a joint stock company and was established on 19 March 2007.

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

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

The number of Nova's employees as of 31 December 2016 and 2015 was 236 and 235, respectively.

ENERGO-PRO Bulgaria EAD ("EPB")

EPB is a joint stock company established on 13 September 2000. The registered address of the company is Floor 5, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria, identification number of the company is 130368870. EPB is the biggest private producer of electricity from hydro power plants (HPPs) in Bulgaria. With a total installed capacity of 166 MW and average annual production of 410 GWh EPB is also the largest private generator of renewable energy in the country. Presently, EPB owns and operates fourteen hydropower plants (HPP). Ten of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

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

Name	Location	Share
"PIRINSKA BISTRITSA - ENERGIYA" AD	BULGARIA	100%
"PIRINSKA BISTRITSA - KASKADI" EAD	BULGARIA	100%
"LUKEL" EOOD (up to 2 October 2016*)	BULGARIA	100%
"OGOSTA-ENERGIYA" EOOD (up to 1 October 2016*)	BULGARIA	100%
"UVEKS - PRO" OOD	BULGARIA	51%

Pirinska Bistritsa Energia AD („PBE“)

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

Lukel EOOD ("Lukel")

Lukel is duly registered by the Sofia City Court under company file № 10295/2000 with seat 2 Pozitano square, fl. 5, 1000 Sofia, Bulgaria, re-registered with the commercial register of the Registry Agency. Its main activity is study, design, and construction, funding and operation of hydro power plants. Lukel is owner of one HPP "Karlukovo". The plant is located in the region of the village of Karlukovo downstream the Iskar River.

*In 2016 a transformation was made merging Lukel into EPB. The entry in the Commercial Register of this circumstance is dated from 02.08.2016.

Ogosta Energyia ("Ogosta")

Ogosta is a company, duly incorporated and existing according to the Bulgarian laws, registered with the Commercial register of the Registry Agency. Ogosta's seat and registered office is: 2 Pozitano square, fl. 5, 1000 Sofia, Bulgaria. The main business of the company is design, construction and operation of hydro power plants. Ogosta has one HPP. The plant is located below the dam wall of the Ogosta dam.

*In 2016 a transformation was made merging Ogosta into PBE AD. The entry in the Commercial Register of this circumstance is dated from 01.10.2016.

Pirinska Bistritsa Kaskadi AD (“PBK”)

PBK is registered in Bulgaria and its main business is management and rent of HPP facilities. Due to EPB restructuring carried out in 2014 HPP facilities were contributed in kind into PBE capital. No special license is required for the rent of own assets.

Uveks – Pro OOD (“Uveks”)

Uveks is registered in Bulgaria and its main activity is construction, maintenance and operation of hydro power plants.

The number of employees of the EPB as at 31 December 2016 and 2015 was 162 and 175, respectively.

ENERGO-PRO Trading EAD (“EPT”)

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

EPT actively trades with electricity in Bulgaria as well as its neighboring countries.

The number of employees of EPT as at 31 December 2016 and 2015 was 8 and 6, respectively.

Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. (“RH”)

RH is a joint stock company on established on 14 August 1986. The registered address of RH is Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-Ankara , identification number of RH is 61662. The main activities of RH involves operating hydroelectric power plants ("HPP") and trading with electricity produced through those plants.

RH is the parent company of the Group of companies, which comprises the following entities and their subsidiaries:

Name	Location	Share
Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.	Ankara	parent
Bilsev Enerji Üretim ve Ticaret A.Ş. . (up to 13 December 2016*)	Ankara	100%

The consolidated wholly owned subsidiary of RH, was Bilsev Enerji Üretim ve Ticaret A.Ş. (“Bilsev”) was, which purchased in October 2011 and is domiciled in Turkey. In 2016 the entity is not consolidated in the RH financial statements due to the following facts.

(*) RH disposed of its Bilsev's shares as of 13 December 2016 to newly established Czech entity **ENERGO-PRO Turkish Development s.r.o.** (EPTD) due to ENERGO-PRO a.s. decision. Company Bilsev did not have any significant revenue or expenses transactions which would have been consolidated till the date of disposal. EPTD is a limited liability company established on 6 October 2016 and is the related company of ENERGO-PRO a.s. The registered address of EPTD is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic and the identification number is 05457696. EPTD main activity is managing and operation of Bilsev (project of dam and HPP Karakurt construction). T

In regard to shareholder changes in the mother company EPas at the beginning of 2016, the shareholder structure was changed in RH to 100% of shares.

The number of employees of RH as of 31 December 2016 and 2015 was 95 and 102, respectively.

ENERGO-PRO Güney Elektrik Tопtan Satış İth. İhr. ve Tic. A.Ş. ("EPTop")

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

In regard to shareholder changes of the mother company EPas at the beginning of 2016, the shareholder structure was changed in EPTop to 100% of shares.

The number of employees of the EPTop as of 31 December 2016 and 2015 was 6 and 6, respectively.

ENERGO-PRO Varna EAD ("EPV")

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

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

As at December 31, 2016 EPV directly owns shares in the following subsidiaries (together EPV Group):

- ENERGO-PRO Grid AD - 93.10%;
- ENERGO-PRO Sales AD - 99.73%;
- ENERGO-PRO Energy Services EOOD - 100%.

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

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

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

In November 2016 EPV issued an EUR 130 million corporate bond issue under private (non-public) offerings. The number of bonds is 1,300 with a nominal value of EUR 100,000. The interest rate is fixed at 3.5% per year. The issue is registered with the Central Depository with ISIN BG2100018162. The interest payment on the bonds is carried out once a year in November. The final maturity date of the bonds is November 8, 2023.

The number of employees of the EPV Group as of 31 December 2016 and 2015 was 2 346, and 2 249, respectively.

Megawatt Servis s.r.o. ("MGW")

MGW is a limited liability company established on 8 December 1994. The registered address is at Edisonova 3023/5, Královo Pole, 612 00 Brno, Czech Republic, identification number of the company is 62061780. The main activities of MGW are consultancy in hydro energy sector and assembling of hydro technical facilities. The number

of employees of the MGW as of 31 December 2016 and 2015 was 37 and 44, respectively.

Related party companies

Dolnolabské elektrárny a.s. ("DEL") is a joint stock company established on 15 May 2000. DEL is a company controlled by the shareholders Jaromír Tesař (62%), Petr Tesař (5%) and Jan Motlík (33%). The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number

of the company is 26176165. The main activity of DEL is the operation of a newly constructed hydro power plant Litomerice on the Labe river in the Czech Republic.

ENERGO - PRO MVE, s.r.o. ("EPMVE") is a limited liability company established on 11 January 2016. The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The identification number of the company is 04704975. The main activity of EPMVE is operation of Brandys nad Labem HPP on the river Labe in the Czech Republic.

ENERGO-PRO Industries, s.r.o. ("EP Industries" – former Celveti Estates s.r.o., change of business name in 2016) is a limited liability company established on 5 February 2014. The registered address is at Edisonova 3023/5, Královo Pole, 612 00 Brno, Czech Republic. EP Industries is a mother company of LITOSTROJ POWER D.O.O. Group ("LP Group") and directly owns 100% of its shares.

LP Group unifies these entities:

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

ČKD Blansko Engineering, a.s. ("CBE") is a joint stock company established in the Czech Republic. The registered address of the company is at Čapkova 2357/5, 678 01 Blansko, Czech Republic.

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

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

ENERGO-PRO Turkish Development, s.r.o. (see details about this company in RH and Bilsev article)

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş. ("Berta") is a joint stock company established on 11 May 2016 in Turkey. The registered address of the company is at Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-Ankara , identification number of RH is 396111. The main activity of the company is Greenfield assets project of 3 HPP's and dam development in Turkey on the river Berta.

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

of Incorporation are the production of electricity from HPP and other.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period 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 re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have 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. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

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

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

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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.

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

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

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

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

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

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

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

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

The residual value of an asset is the estimated amount that the EP Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected

at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include electricity generation licenses acquired in business combinations.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use.

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

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

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

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

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

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

that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within

operating expenses. The Group's liability for current tax is calculated as a sum of tax liability of each consolidated entity.

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

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

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

Investment incentives. The Group benefits from investment incentives implemented by way of credits to be applied in determining tax liabilities. In general, tax credits are tax benefits received other than tax deductions that normally arise (at standard rates) from deductible expenditures. A deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. Initial recognition is accounted for through profit and loss.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined

on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

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

Impairment of financial assets carried at amortised cost. 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, 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 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.

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.

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.

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

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

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

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

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

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

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

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

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at 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.

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

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result

of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company

is the Czech Crown (CZK) and the Group's presentation currency is the EURO ("EUR"). EUR as the presentation currency is used due to the fact that Group operates mainly inside Europe and the results presented in EUR are more comprehensible for financial institutions and business partners.

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

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

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

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

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

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

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

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

Revenue recognition. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from sale of electricity

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

(b) Revenue from sales of services

Sales of services are 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. Sales of services comprise:

- (i) Grid components of the electricity sales price such as green energy, energy produced by co-generation, transmission fee, grid access fee and grid distribution fee.
- (ii) Connection fees. The connection has no value for customers as it only provides access to the grid but not ongoing grid services. These are regulated by the regulatory framework. In the Group's case, the connection fees and grid services fees are interrelated which indicates that only one service is provided – distribution (being the ongoing access to the network). Considering the price regulation, there is a cross-subsidy between the connection fees and distribution fees on a macro level. Accordingly, the connection fees reduce the distribution fees for each class of customers. As the industry is working on the cost reflected regulated tariff as a natural monopoly, the cost of connection has to be recovered somehow, if there were no connection fees it would be reflected in the grid services fees. Under such a regime, all customers would subsidise new connections. It can therefore be stated that due to payment of the connection fee, the distribution fee enjoyed by the customer is lower in future years even though such discount is not customer specific. Revenue from fees generated from connection of new customers to the electricity distribution network is deferred where the Group has an obligation to render further services in the future relating to the distribution of electricity. The deferred income is subsequently released in profit or loss on grounds of the useful lives of the underlying measurement devices installed at the customers' premises.

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

(c) Interest income

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

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

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

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

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

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

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 6.

Revenue from sale of electricity. Revenue from sale of electricity is recognised in profit or loss on a monthly basis after measuring the electricity provided to the customers. As the energy meters reading may not be carried out for all customers covering exactly the calendar month, the Group makes the calculation to accrue the revenue from energy supply for the period. Calculations take into account past historical data about electricity supply and demand for the short term forecasted. Revenue from sales of services is described on page 19.

Restatement of comparative information

In preparing the consolidated financial statements of ENERGO - PRO Varna EAD for the year ended 31 December 2016, the Group identified material misstatements and, in line with IAS 8, it made retrospective restatements in the consolidated statements as of 31 December 2015 and 31 December 2014.

ENERGO - PRO Varna EAD has signed a loan agreement with PPF banka a.s., Czech Republic under which it is required to pay a Mezzanine Exit Premium, as well as the right to refinance the entire loan before the sixth year of the loan, in which case ENERGO - PRO Varna EAD is obliged to pay a Mezzanine Refinance Premium. In April 2016, ENERGO - PRO Varna EAD concluded an Annex, which stipulated the exercise of the option to refinance the loan, to merge the Mezzanine Exit Premium and the Mezzanine Refinance Premium into a Mezzanine Premium and its payment for the period June 2012 - June 2018 totalling EUR 7,357 thousand (BGN 14,388 thousand).

In 2016 ENERGO - PRO Varna EAD calculated using the effective interest rate method that the Mezzanine Exit Premium for the whole loan period from June 2012 to December 2024 amounts to EUR 8,556 thousand (BGN 16,734 thousand). The part from Mezzanine Exit Premium for the period June 2012 - December 2015 amounts to EUR 1,766 thousand (BGN 3,454 thousand). In 2016, the Management of ENERGO - PRO Varna EAD judged that it is more appropriate to restate the data in the financial statement for 2015 of ENERGO - PRO Varna EAD in 2016 with the amount of the Mezzanine Premium for the period up to 31 December 2015.

The table below sets out the effect of the restatement on individual financial statement lines, including a comparison of the values presented originally and values after restatement.

The effects of the restatement for 2015 are presented below:

Balance sheet

	Note	December 31, 2015 (originally reported)	December 31, 2015 (correction)	December 31, 2015 (restated)
Retained earnings	-	201,689	(1,766)	199,923
Borrowings (current)	21	131,023	1,766	132,789
	Note	December 31, 2014 (originally reported)	December 31, 2014 (correction)	December 31, 2014 (restated)
Retained earnings	-	197,945	(1,333)	196,612
Borrowings (current)	21	147,442	1,333	(originally reported)

Statement Of Comprehensive Income

	Note	December 31, 2015 (originally reported)	December 31, 2015 (correction)	December 31, 2015 (restated)
Financial costs	26	(68,184)	(433)	(68,617)
Financial income/ (costs) - net	26	(65,143)	(433)	(65,576)
Income before tax	-	1,239	(433)	806
Profit for the year	-	(1,226)	(433)	(1,659)
Profit/(loss) attributable to: Owners of the company	-	(1,869)	(433)	(2,302)
Total comprehensive income/(loss)		(34,832)	(433)	(35,265)

Statement of Changes in Equity

	December 31, 2015 (originally reported)	December 31, 2015 (correction)	December 31, 2015 (restated)
Retained earnings	201,689	(1,766)	199,923
Profit for the year	(1,869)	(433)	(2,302)
Total comprehensive income/(loss)	(34,832)	(433)	(35,265)

Statement of Cash Flows

	December 31, 2015 (originally reported)	December 31, 2015 (correction)	December 31, 2015 (restated)
Income before tax	1,239	(433)	806
Trade and other payables	(15,048)	433	(14,615)

4. Adoption of New or Revised Standards and Interpretations

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

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

- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

5. New Accounting Pronouncements

Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following new standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 “Financial Instruments”** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 issued on 24 July 2014 is the IASB's replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Group has not yet completed the quantification of potential impacts of the standard.

- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 issued by IASB on 28 May 2014 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Standard applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Group has not yet completed the quantification of potential impacts of the standard.

New Standards, amendments to the existing Standards and new interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for use in EU as at 30 June 2017 (the effective dates stated below is for IFRS in full):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **IFRS 17 “Insurance contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

The Group has not yet completed the assessment of potential impacts of the standards referred to above.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

6. Balances and Transactions with Related Parties

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

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

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	-	23,562
Other receivables	13	27 836	
Non-current portion of loans and borrowings	21	-	1
Current portion of loans and borrowings	21	23,614	3,958

The income and expense items with related parties for the year ended 31 December 2016 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services	-	-	68
Sale of subsidiary	31		14,439
Interest income	26	-	1,404
Other income	27	-	-
Interest expense	26	1,603	92
Purchased service	-	-	29

At 31 December 2015, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	10,425	10,530
Trade accounts receivable	13	-	107
Other current liabilities	23	2	-
Trade and other payables	22	-	48
Non-current portion of loans and borrowings	21	-	34,579
Non-current financial liabilities	18	-	5,335

The income and expense items with related parties for the year ended 31 December 2015 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services	-	-	127
Interest income	26	235	60
Other income	27	-	-
Interest expense	26	-	778
Purchased service	-	-	29

7. Property, Plant and Equipment

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

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Other fixed assets	Total
Cost or valuation						
1 January 2015	110,122	622,115	10,628	19,855	12,309	775,029
Additions	7,999	14,889	568	24,212	515	48,183
Transfers	79	8,532	36	(8,648)	1	-
Disposals	(407)	(10,054)	(152)	(2,584)	(311)	(13,508)
Reclassification	-	-	-	-	-	-
Acquisitions through business combinations (Note 30)	-	-	-	-	-	-
Difference in rate of exchange	(10,720)	(46,258)	(1,137)	(2,973)	(1,191)	(62,279)
31 December 2015	107,073	589,224	9,943	29,862	11,323	747,425
Additions	787	16,070	5,068	15,270	284	37,479
Transfers	7	23,909	4	(23,496)	26	0
Disposals	(7,412)	(747)	(2,561)	(4,654)	(102)	(15,476)
Acquisition through business combinations	-	-	-	-	-	-
Difference in rate of exchange	(5,014)	(30,266)	(661)	(1,079)	(478)	(37,498)
31 December 2016	95,441	598,190	11,793	15,453	11,053	733,031
Accumulated depreciation						
1 January 2015	(27,444)	(160,795)	(5,109)	-	(4,212)	(197,560)
Charge for the year	(4,660)	(40,928)	(1,036)	-	(668)	(47,292)
Disposals	56	1,341	111	49	20	1,577
Reclassification	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-
Difference in rate of exchange	2,915	11,394	498	-	216	15,023
31 December 2015	(29,133)	(188,988)	(5,536)	49	(4,644)	(228,252)
Charge for the year	(3,656)	(37,785)	(1,343)	-	(447)	(43,231)
Disposals	1,360	580	103	-	72	2,115
Difference in rate of exchange	1,353	8,105	319	-	109	9,886
31 December 2016	(30,076)	(218,088)	(6,457)	49	(4,910)	(259,482)
Net book value						
31 December 2015	77,940	400,236	4,407	29,911	6,679	519,173
31 December 2016	65,364	380,102	5,336	15,502	6,144	472,448

As of 31 December 2016 (as well as of 31 December 2015) the Group pledged property, plant and equipment as collateral to secure the loan facilities obtained from the banks. Refer to Note 21 and Note 29.

8. Goodwill

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

(a) EPG Goodwill

(EUR'000)	2016	2015
Gross book value at 1 January	26,893	31,063
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	26,893	31,063
Exchange differences	(1,705)	(4,170)
Gross book value at 31 December	25,188	26,893
Impairment loss	-	-
Carrying amount at 31 December	25,188	26,893

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

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

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

	2016	2015
Annual sales growth	4% p.a.	4% p.a.
Growth rate beyond three years	1% p.a.	1% p.a.
Pre-tax discount rate	13.54% p.a.	13.54% p.a.

(b) RH Goodwill

(EUR'000)	2016	2015
Gross book value at 1 January	18,879	21,268
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	18,879	21,268
Exchange differences	(2,708)	(2,389)
Gross book value at 31 December	16,171	18,879
Impairment loss	-	-
Carrying amount at 31 December	16,171	18,879

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

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

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

	2016	2015
Discount rate	15,5%	15,5%
Growth rate beyond forty years	0%	0%
Annual sales growth within the forty years	0%	0%

(c) **EPB Goodwill**

(EUR'000)	2016	2015
Gross book value at 1 January	24,900	24,900
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	24,900	24,900
Additional amounts recognised from business combinations occurring during the year (Note 30)	-	-
Gross book value at 31 December	24,900	24,900
Impairment loss	(26)	-
Carrying amount at 31 December	24,874	24,900

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

Impairment test. As at 31 December 2016, the Group reverted to services of an external appraiser with appropriate qualifications and experience to assess the recoverable amount of the goodwill, arising from the acquisition of hydrotechnical and hydropower plants amounting to EUR 24,849 thousand (BGN 48,600 thousand). Taking into account the specificity of the assets being evaluated, a value in use was defined for valuation purposes. Value in use represents the current value of future cash flows expected from an asset or cash-generating unit. Value in use reflects the reasonable assumptions of the management of the Group on economic conditions expected to exist over the remaining useful life of the asset. An income approach was applied to set out the value in use of the industrial property, plant and equipment together with their goodwill. The value in use was determined at EUR 91,706 thousand (BGN 179,361 thousand). This amount, determined by income approach for value in use, keeps the goodwill value unchanged and no impairment was recognized as at 31 December 2016. For goodwill amounting to EUR 51 thousand (BGN 100 thousand), formed by the acquisition of the subsidiary Uvex Pro, as at 31 December 2016 an impairment of EUR 26 thousand (BGN 50 thousand) was recognized, based on the management's judgment.

(d) **Nova related Goodwill**

(EUR'000)	2016	2015
Gross book value at 1 January	5,836	5,836
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	5,836	5,836
Additional amounts recognised from business combinations occurring during the year	-	-
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	5,836	5,836

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

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

(e) **Total Goodwill**

(EUR'000)	31.12. 2015	Acquisitions/ Disposals	Exchange differences	Impairment loss	31.12. 2016
Nova	5,836	-	-	-	5,836
EPG	26,893	-	(1,705)	-	25,188
EPB	24,900	-	-	(26)	24,874
RH	18,879	-	(2,708)	-	16,171
					31

Total carrying amount of goodwill	76,508	-	(4,413)	(26)	72,069
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9. Intangible Assets

(EUR'000)	Electricity generatio n licenses	Software	Customer list	Other	Total
Cost or valuation 1 January 2016	103,815	2,548	22,922	818	130,103
Addition	103	4		25	132
Transfers	-	(1)	-	-	(1)
Disposals	(17,495)	(9)		(9)	(17,513)
Acquisitions through business combinations	-	-	-	-	-
Difference in rate of exchange	(11,260)	(59)	-	(43)	(11,362)
31 December 2016	75,163	2,483	22,922	791	101,359
Accumulated depreciation 1 January 2016	(11,788)	(1,318)	(7,572)	(460)	(21,138)
Depreciation charge	(2,110)	(408)	(2,048)	(136)	(4,702)
Disposals	-	9	-	9	18
Acquisitions through business combinations	-	-	-	-	-
Difference in rate of exchange	1,488	14		31	1,533
31 December 2016	(12,410)	(1,703)	(9,620)	(556)	(24,289)
Impairment loss recognized for power purchase agreements (note 25)	-	-	(3,762)	-	(3,762)
Net Book Value 31 December 2016	62,753	780	9,540	235	73,308

(EUR'000)	Electricity generation licenses	Software	Customer list	Other	Total
Cost or valuation 1 January 2015	114,843	1,916	24,413	900	142,072
Additions	471	726	-	17	1,214
Disposals	-	-	-	(1)	(1)
Acquisitions through business combinations	-	-	-	-	-
Difference in rate of exchange	(11,499)	(94)	2	(98)	(11,689)
31 December 2015	103,815	2,548	24,415	818	131,596
Accumulated depreciation 1 January 2015	(10,558)	(1,161)	(5,175)	(357)	(17,251)
Depreciation charge	(2,308)	(167)	(2,397)	(142)	(5,014)
Disposals	-	-	-	1	1
Acquisition through business combination	-	-	-	-	-
Difference in rate of exchange	1,078	10	-	38	1,126
31 December 2015	(11,788)	(1,318)	(7,572)	(460)	(21,138)
Impairment loss recognized for power purchase agreements (note 25)	-	-	(1,493)	-	(1,493)
Net Book Value 31 December 2015	92,027	1,230	15,350	358	108,965

According to the provisions of IAS 36 at the end of each reporting period impairment test is carried out as to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, recoverable amount and the impairment loss shall be estimated for the individual asset. There were recently performed amendments in the Bulgarian legislation regulating purchase of electricity and from 01.06.2014 some of hydroelectric power plants in the group sell their production on free market. Some of the intangible assets are related to contracts for electricity sale with ceased sales. Ceasing the sale

of electricity is indication that net book value of recognized intangible assets contracts for electricity sale could exceed their recoverable amounts. Based on this review impairment loss amounting to EUR 3,762 thousand (BGN 7,358 thousand) is recognised as at 31 December 2016 (as at 31 December 2015 – EUR 1,493 thousand - BGN 2,920 thousand).

10. Issued Loans

(EUR'000)	2016	2015
Non-current portion of issued loans:		
Marinka Laka	132	-
Other	-	-
Total non-current portion of issued loans	132	-
Current portion of issued loans:		
Shareholders		10,425
EP MVE	8,586	-
Bilsev	6,757	-
Terestra Bulgaria	1,350	1,620
EP Industries	6,869	8,910
Takedakodon	1,037	995
Other	303	325
Total current portion of issued loans	24,902	22,275
Total issued loans	25,034	22,275

11. Non-current Financial Assets

(EUR'000)	2016	2015
Receivables from TEIAS (Turkey)	1,828	2,134
Restricted bank deposit (i)	3,833	2,238
Trade receivables	-	297
Bonds (ii)	23,602	23,587
Other	-	-
Total non-current financial assets	29,263	28,256

(i) The largest volume of this amount represents a bank deposit of RH amounting to EUR 2,914 thousand as at 31 December 2016 which is pledged for the guarantee letters given to electricity distribution companies and to Energy Market Regulatory Authority ("EMRA") for expropriation. The remaining part of the total sum is related to bank deposit of EPTop (EUR 805 thousand) and EPG (EUR 114 thousand).

(ii) In December 2015, a company from the Group acquired 23,546 number of bonds with fixed income and nominal value of EUR 1,000, issued by Tatry Mountain Resorts a.s., Slovak Republic, payable in 2018. The interest is fixed in the amount 4.5% p.a. The issue of bonds was registered by the Central Depository of Slovak Republic with ISIN SK4120009606 and name TMR I 4.50%/2018. Interest payments on the bonds take place on June 17 and December 17 every year.

As of December 31, 2016 and December 31, 2015 the bonds of Tatry Mountain Resorts a.s., Slovak Republic are carried out at fair value, corresponding to the Stock Exchange price of bonds, that for the amount of 23,546 number equals EUR 23,602 thousand (BGN 46,162 thousand); December 31, 2015: EUR 23,587 thousand (BGN 46,132 thousand).

12. Inventories

(EUR'000)	2016	2015
Electrical equipment	2,334	2,660
Inventory related to installation of meters	236	539
Cables and wires	1,691	1,901
Tools and bolts	707	544
Meter boxes, cabinets and locks	29	95
Spare parts	587	656
Overalls and special clothes	114	46
Oil and lubricants	375	306
Poles	139	61
Prepayments for inventories	685	116
Inventory related to Paybox Installation	392	373
Scrap & Damaged Inventory	38	38
Other	1,344	1,821
Less: provision for obsolete and slow moving inventories	(994)	(1,070)
Total inventories	7,677	8,086

13. Trade and Other Receivables

(EUR'000)	2016	2015
Distribution to households	57,204	56,557
Distribution to commercial sector	55,246	39,497
Receivables from export sales	2,407	2,256
Receivables from transmission	4,753	3,938
Less: provision for impairment	(15,847)	(13,847)
Rent deposit	45	-
Other trade receivables	4,819	3,550
Total trade receivables	108,627	91,951
Guarantee deposits	1,127	2,258
Deposits granted	58	8,454
Restricted cash	1,213	1,020
Other (i)	27,836	-
Total trade and other receivables	138,861	103,683

(i) The amount 27,836 represents the assigned receivables from EPas to DK Holding Investments, s.r.o. as at 31 December 2016.

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

(EUR'000)	2016	2015
Provision for impairment at 1 January	13,847	13,204
Impairment charge	3,471	2,139
Reversal of impairment during the year	(967)	(1,213)
Amounts written off during the year as uncollectible	(219)	(283)
Exchange rate difference	(285)	-
Provision for impairment at 31 December 2016	15,847	13,847

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	2016	2015
Total neither past due not impaired	99,465	86,036
Past due but not impaired		
- less than 30 days overdue	1,021	1,928
- 31 to 90 days overdue	2,166	1,275
- 91 to 180 days overdue	850	650
- over 181 days overdue	2,619	2,063
Total past due not impaired	6,656	5,916
Past due and impaired		
- 31 to 90 days overdue	2,934	341
- 91 to 180 days overdue	461	275
- over 181 days overdue	14,958	13,230
Total past due and impaired	18,353	13,846
Less impairment provision	(15,847)	(13,847)
Total current trade receivables, net	108,627	91,951

14. Cash and Cash Equivalents

Cash and cash equivalents are held in CZK, BGN, GEL, USD, EUR and TRY.

(EUR'000)	2016	2015
Cash on hand	41	52
Cash with banks:		
CZK denominated	4,728	232
BGN denominated	54,535	19,256
GEL denominated	6,689	2,630
TRY denominated	4,886	2,727
AMD denominated	36	-
USD denominated	1,893	540
EUR denominated	13,128	18,651
Cash in transit	22	-
Other cash and cash equivalents	76	1,340
Restricted cash (i)	(3,752)	(3,258)
Short term deposit	24	1,397
Total cash and cash equivalents	82,306	43,567

(i) Restricted cash of EPV represents blocked cash in the bank accounts as collateral on legal cases. EPG has pledged accounts receivables for security accounts (commercial bank's security accounts and all other bank accounts maintained by the owner at which accounts and the payments from the customers to the owner pursuant to electricity supplies are routed and which are pledged in favor of the bank).

15. Other Current Assets

(EUR'000)	2016	2015
Deferred value-added tax	2,309	2,106
Advance payments	1,315	5,578
Prepaid insurance	1,940	1,875
Impairment of other current assets	(19)	(19)
Contractual fine	33	142
Prepaid tax	1,836	51
Other	1,255	2,169
Total other current assets	8,669	11,902

16. Share Capital

The Company has one class of ordinary shares with a par value of CZK 250 thousand carrying one vote per share and a right to dividends. As of 31 December 2016 and 2015 authorised share capital consisted of 380 ordinary shares in the total amount of EUR 3,569 thousand.

As of 31 December 2016 and 2015, the shareholders pledged all shares to secure the loan facilities from the Czech Export Bank.

17. Retained Earnings

Part of retained earnings according to the statutory financial statements is available for distribution subject to the legal reserve requirement and upon the prior approval from the Czech Export Bank.

18. Non-current Financial Liabilities

(EUR'000)	2016	2015
Liability to a related party (Note 6)	-	5,335
Financial lease liabilities	214	295
Total non-current financial liabilities	214	5,630

19. Other Non-current Liabilities

(EUR'000)	2016	2015
Deferred income from connection fees (i)	23,362	24,545
Government grants	138	145
Other	(1)	0
Total other non-current liabilities	23,499	24,690

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

20. Current and Non-current Provisions

Analysis of the provisions:

(EUR'000)	2016	2015
Non-current		
Grid access fee provision (a)	7,412	8,673
Retirement benefits (e)	2,098	1,999
Other non-current provisions (d)	168	120
Total non-current	9,678	10,792
Current		
Provision for liabilities for access to producer	380	3,136
Legal claims (b)	16,212	20,723
Provisions for liabilities – energy effectiveness (c)	2,725	4,153
Retirement benefits (e)	269	246
Other (d)	5,628	8,232
Total current	25,214	36,490
Total other provisions and accruals	34,892	47,282

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Reconnection fee	Returned energy	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2015	8,673	20,723	-	-	3,136	4,153	2,245	8,352	47,282
Reclassification		42					(20)	(11)	11
Paid		(9,495)					(225)	(1,246)	(10,966)
Accrued	(4)	7,241			(2,095)		283	339	5,764
Financial expense		(55)					3		(52)
Reversed	(1,257)	(2,244)			(661)	(1,428)		(1,638)	(7,228)
Actuarial loss/ (profit)							81		81
Difference in rate of exchange									
At 31 December 2016	7,412	16,212			380	2,725	2,367	5,796	34,892

(EUR'000)	Grid access fee	Legal claims	Reconnection fee	Returned energy	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2014	8,721	16,350	1,127	1,649	5,566	4,273	2,094	2,728	42,508
Reclassification		(90)	-	-	-	-	(13)	26	-77
Paid	(22)	(78)	-	-	-	-	(241)	(684)	(1,025)
Accrued	721	6,687		(1,649)	(2,386)		282	7,050	10,705
Financial expense	139	-	-	-	-	-	-	(62)	77
Reversed	(886)	(2,146)	(1,127)		(44)	(120)	-	(706)	(5,029)
Actuarial loss/ (profit)	-	-	-	-	-	-	123	-	123
Difference in rate of exchange	-	-	-	-	-	-	-	-	-
At 31 December 2015	8,673	20,723	-	-	3,136	4,153	2,245	8,352	47,282

(a) Grid access fee provision

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

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

(b) Provision for legal claims

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

In 2014 a major supplier filed claims against the Group for allowances emitted reactive energy for the period June 2012 - September 2013, as well as the access fee for returned electricity for the period September 2012 - July 2013. Total amount of claims is EUR 3,633 thousand (BGN 7,106 thousand), including penalties for late payment as at the date of submission of claims. In February 2016, court decisions are issued that are not in favour of the Group. The Group has paid the due amounts in March 2016.

In 2015, a major supplier filed a claim against the Group for the cost of transportation for the period September 2012 - July 2013. The total claim is in the amount of EUR 2,361 thousand (BGN 4,618 thousand), including interest for delay until the date of filing claims.

In 2012, a counterparty of the Group filed a claim for default of obligations under agreement for connection and lost profits for the period June 2010 - July 2012, and a complaint to the Commission for Protection of Competition. The total amount of claims is EUR 2,863 thousand (BGN 5,599 thousand), and statutory interest. In October 2015, the court rejected the claim in the amount of EUR 581 thousand (BGN 1,137 thousand), being principal and EUR 69 thousand (BGN 134 thousand)- statutory interest. Since this part of the judgment is enforced, from the provision is released relevant part amounted to EUR 650 thousand (BGN 1,271 thousand).

The Group considers that it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 16,212 thousand (BGN 31,430 thousand).

(c) Provision for energy effectiveness

The Group recognises a provision concerning the possibility of payment to Energy Efficiency Fund. The provision is based on the best estimate of the amount of the liability as at December 31, 2016, concerning this part of the goals of saving for the current year, which is the least likely to be certified.

The calculation of the contribution due is calculated by using the reference price of electricity, accepted by the EWRC, current as at June 30, 2016. The value of the obligations on energy efficiency can be influenced by reference price, which can vary each year based on the decision of EWRC.

(d) Provision for other obligations

- Provision for penalty, determined by Commission of the Protection of Competition– CPC

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

By decision of March 2013, the CPC has formed a proceeding against the Group under LPC and imposed a property sanction amounting to BGN 266 thousand in regard with connection of a producer to the distribution network. The provision is charged on the basis of the decision of the CPC, which was appealed before the Supreme Administrative Court.

By decision of May 2013, the Commission for Protection of Competition (CPC) has initiated proceedings against the Group under Protection of Competition Act and the financial sanctions imposed in connection with the suspension of power supply to pumping stations of Vodnosnabdiavane I Kanalizacia EOOD Dobrich, due to accumulated debts. The provision is charged based on the Decision of the CPC, which is appealed before the Supreme Administrative Court. In June 2016 the provision was entirely released on the basis of a decision of the Supreme Administrative Court.

By decision of May 2015, the Commission for Protection of Competition (CPC) has formed against the Group proceeding under the Law on Protection of Competition and imposed a sanction in the amount of BGN 167 thousand in relation to unreasonably high prices for using the Low Voltage pillar grid. The provision is charged on the basis of the decision of the CPC, which is appealed before the Supreme Administrative Court.

By decision of November 2015, the CPC initiated proceedings against the Group under the Protection of Competition Act and imposed a pecuniary penalty of BGN 14,423 thousand in connection with violation of Article 21 of the CPA, resulting in abuse of a dominant and monopoly of the electricity market. Since the Group believes the size of the penalty is excessive, it appeals before the Supreme Administrative Court claiming to be reduced its size to BGN 8,653 thousand. The provision is charged to the claimed reduced amount of the penalty.

- Provisions for EWRC penalties

In February and March 2014, EWRC conducted an audit to a company of the Group, part of which is in regard with the electricity meters under regulations of the Rules For Measuring The Quantity of Electricity. In December 2014 and January 2015 the Group is served a total of 284 number of PD (penalty decree) in the amount of BGN 5,680 thousand, which were appealed by the Group under APVA. As at December 31, 2015 the amount of PD is fully provisioned. In 2015 the Group has lost two lawsuits totaling BGN 40 thousand and has won 33 lawsuits totaling BGN 660 thousand. In April 2016 were paid 15 PD in the amount of BGN 300 thousand, without lawsuits. In 2016, the Group lost 90 lawsuits for the amount of BGN 1,800 thousand and won 141 lawsuits for the amount of BGN 2,820 thousand.

On March 12, 2014 EWRC has issued a penalty decree No NP -1 (PD) to the Group in connection with set-off done on December 30, 2013 of obligations under invoices issued to the Group by NEC EAD for the purchase of electricity as an end supplier, with Group's claims for unrecovered costs incurred in the performance of end suppliers' public obligations to purchase electricity at preferential prices for the period 1 July 2012 to 30 June 2013. The Group has notified promptly NEC EAD for the set-off made. PD is issued on the basis of the Act of Establishing of Administrative Violation (AEAV) No KRC 14 dated March 4, 2014. The issued penalty decree by EWRC to the Group is for the amount of BGN 1 million.

The Group has objected to AEAU claiming that the Group has not taken any actions, which are inconsistent with the Energy Act (EA) and the current Orders for determining regulatory prices.

By decision dated October 24, 2014, Varna District Court upheld the PD and the imposed administrative punishment. In February, 2015 the last hearing was held before the Supreme Court of Appeal. The members of the Court of Cassation in the legal period have decided to sustain the decision of Varna District Court. The decision is definite. In March 2015, the penalty decree is paid.

- Environmental provision

The Group provides costs of carrying out a program to bring the oil-filled equipment and grounds in accordance with the requirements of legislation relating to environmental protection. The Management has reviewed the provision as at December 31, 2015 and for dropping the commitment to carry out the program costs , it was decided to that the provision to be released in full amount.

- Provision for unused paid leaves

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

(e) Retirement benefits

Benefits at retirement for illness

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

The principal actuarial assumptions are as follows:

	2016	2015
Discount rate	2.50%	2.80%
Future salary increase	0%	0%

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

Personnel degree of withdrawal in age groups

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

21. Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2016.

(EUR'000)	2016	2015 Restated
Non-Current portion of borrowings:		
Czech Export Bank (Czech Republic) (i)	247,208	302,133
Czech Hydro s.r.o. (Czech Republic)	-	30,714
TBC Bank (Georgia) (ii)	1,960	6,607
VTB Bank (Georgia) (ii)	-	1,573
PPF Bank (Czech Republic) (ii)	10,013	58,890
Bonds (iii)	109,114	-
Other	1	-
Total long-term portion of borrowings	368,296	399,917
Current portion of borrowings		
Czech Export Bank (Czech Republic) (i)	61,716	79,691
Czech Hydro s.r.o. (Czech Republic)	-	5,930
TBC Bank (Georgia) (ii)	11,346	7,521
JSC Bank Republic (Georgia) (ii)	-	7,636
VTB Bank (Georgia) (ii)	7,796	1,334
PPF Bank (Czech Republic) (ii)	-	8,175
VIAMON s.r.o. (Czech Republic)	-	13,412
Nyland Holding N.V.	11,987	-

(EUR'000)	2016	2015 Restated
DK Holding Investments, s.r.o.(iv)	23,614	-
Dolnolabské elektrárny a.s. (iv)	3,958	3,865
Czech Hydro Servis a.s.	-	343
Banka DSK EAD	-	4,880
Eurobank Bulgaria AD – (ii)	20,083	-
IS Bank (Georgia)	3	-
Other	1	2
Total current portion of borrowings	140,504	132,789
Total borrowings	508,800	532,706

In the carrying value of the bank loans (Czech Export Bank, PPF Bank) are also included unearned financial expenses (loan insurance costs, commitment fee, front-end management fee) which decrease the carrying value in comparison with the outstanding amount of the principal in the detailed schedule below.

Information on the non-current and current portion of borrowings is provided for each loan within paragraphs (i) to (iv)

(i) Czech Export Bank

Czech Export bank provided the financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit original currency (fully withdrawn) (EUR'000)	Credit balance 2016 (EUR'000)	Maturity Date
Facility A	Acquisition of assets of EPG (Generation)	57,974	27,195	15-Jan-21
Facility B	Acquisition of assets of EPG (Distribution)	36,668	17,142	15-Jan-21
Facility C	Working capital (EPG)	21,994	3,277	1-Jul-17
Facility D	Renovation and maintenance of assets of EPG (Generation)	33,472	12,247	15-Jan-19
Facility E	Renovation and maintenance of assets EPG (Distribution)	26,777	9,613	15-Jan-19
Facility 2	Petrohan Cascade (EPB)	19,879	336	18-Jan-17
Facility 3	Acquisition of assets of VEZ Enerгия Holding (EPB)	67,947	55,219	30-Aug-26
Facility T	Shares of Turkon and MNG in Resadiye Hamzali and Artvin Coruh (RH)	272,580	145,418	20-Dec-22
Total		537,291	270,447	

ENERGO-PRO Georgia JSC signed a Term Facilities Agreement with the Czech Export Bank on 3 January 2007 which was amended on 27 June 2007, 10 June 2009, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017. According to Amendment No. 3 dated 20 December 2013 the applicable interest rate is 6M EURIBOR + 1.05% p.a. effective from January 2014.

The annual interest rate of Facility 2 is EURIBOR+0.4% p.a. Facility 2 is guaranteed by a pledge agreement on ENERGO-PRO Bulgaria's EAD shares, receivables, cash and insurance. The maturity of the facility is disclosed in the table above.

On 27 September 2012 ENERGO-PRO Bulgaria EAD entered into a new Term Facilities Agreement, No. 22547, with the Czech Export Bank (amended on 13 December 2012, 4 March 2013, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017). The purpose of the facility was to finance the acquisition of VEZ Enerгия Holding's companies (6 new HPPs) and the payment of the premium under the EGAP insurance. Maturity of the loan is specified in the table above as "Facility 3". The applicable interest rate is fixed at 4.21% p.a. The loan is guaranteed by a pledge agreement on ENERGO-PRO Bulgaria's EAD shares, enterprise, receivables, cash and insurance.

The annual interest rate of Facility T is fixed at 4.90% p.a. Regular instalment of the principal in 2015 was decreased by the amount of EUR 17,779 thousand and rescheduled to 2016 when the postponed principal payment was paid. Facility T is guaranteed by a pledge of commercial enterprise, by a pledge agreement on Resadiye Hamzali's shares, receivables, cash and insurance. The maturity of the facility is disclosed in the table above.

Facility	Purpose	Credit limit recalculated to (EUR'000)	Credit limit original currency (USD'000)	Credit balance 2016 (EUR'000)	Credit balance 2016 (USD'000)	Maturity date
Facility F	Financing of the costs of acquisition of the Shares and costs of EGAP Insurance (EPG)	56,424	59,463	17,818	18,778	30-Dec-19
Facility G	Renovation and maintenance of the HPPs and distribution assets and costs of EGAP Insurance (EPG)	18,762	19,773	7,900	8,326	31-Dec-20
Facility H	Renovation and maintenance of the Chitakhevi and Ortachala Assets (EPG)	3,957	4,170	2,916	3,073	26-Jul-23
Facility P	Refinancing of gPower acquisition loans (EPG)	40,141	42,303	20,819	21,940	30-Dec-20
Total		119,284	125,709	49,453	52,117	

On 22 December 2009 ENERGO-PRO Georgia JSC signed a new Term Facilities Agreement with the CzechExport Bank which was amended on 23 December 2010, 16 September 2011, 26 June 2013, 9 July 2013, 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017. The above stated US Dollar denominated facilities are subject of the new Term Facilities Agreement, facilities F, G, H. Facility F was provided for the financing of the costs of acquisition of the shares of the companies Satskenesi, Ortachala, Martkopi, Chitakevi, Sion Hesi and Tseri. The applicable annual interest rate is fixed and represents 5.95% p.a. Aside from the annual interest rate, ENERGO-PRO Georgia JSC is obliged to pay an annual commitment fee and a front-end management fee according to the terms of the agreement. The purpose of Facility G was adjusted to applying towards the refinancing of costs incurred in connection with the renovation and maintenance of EPG assets in 2013. Facility H was fully utilised during 2013.

LLC gPower signed a Term Facility Agreement No. 22430 ("Facility P") with the Czech Export Bank on 25 July 2012 (amended on 20 December 2013, 31 March 2016, 6 October 2016 and 21 April 2017) in the amount of USD 42,303 thousand for the purpose of repaying loans obtained from JSC Bank of Georgia. The applicable annual interest rate is fixed and represents 4.73% p.a. The loan matures on 30 December 2020. Aside from the annual interest rate, the company was obliged to pay a loan insurance cost, which comprised USD 1,993 thousand, commitment fee, front-end management fee and other charges according to the terms of the Term Facility Agreement.

The Group has pledged all of its property, plants and equipment, cash and trade receivables as collateral to secure the loan facilities obtained from the Czech Export Bank except for the property, plant and equipment, cash and trade receivables of ENERGO-PRO Varna EOOD (subsidiaries included), ENERGO PRO Trading EAD, Uveks Pro OOD, MEGAWATT Servis s.r.o., Nova Technology JSC, ENERGO-PRO Güney Elektrik Toptan Satis Ithalat Ihracat Ve Tic. A.Ş., LLC Zoti and JSC Zahesi.

(ii) Loans from other banks

Georgian banks

TBC Bank, IS Bank and VTB Bank provided financing to the Group by means of the following facilities:

Bank	Purpose	Credit limit (EUR'000)	Credit limit original currency (USD'000)	Credit Balance 2016 (EUR'000)	Credit Balance 2016 (USD'000)	Interest Rate %	Maturity Date
TBC Bank (i)	Working capital financing	7,751	8,182	7,751	8,182	7.35%	16 Dec 2017
	Accrued interests			8			
	Total			7,759			
IS Bank (ii)	Repayment of loan in foreign bank and capital expenditure	3,890	4,100	0	0	7.1507%	21 Dec 2017
	Accrued interests			3			
	Total			3			
		EUR		EUR			
VTB Bank	Working capital financing	5,604	5,604	5,604	5,604	7%	7 Nov 2017
	Accrued interests			13			
	Total			5,617			
		GEL		GEL			
VTB Bank	Working capital financing	1,879	5,250	1,879	5,250	11%	12 Feb 2017
	Accrued interests			10			
	Overdraft	1,432	4,000	290	810	11%	-
	Accrued interests			-			
	Total			2,179			
TBC Bank (iii)	Working capital financing	1,790	5,000	1,790	5,000	10%	16 Dec 2017
	Accrued interests			3			
	Total			1,793			
TBC Bank (iv)	Refinancing and capital investment	10,737	30,000	3,745	10,464	8.25%- 9.5%	20 Dec 2018
	Accrued interest			9			
	Total			3,754			

(i) EPG has pledged immovable assets of subsidiary's Chkhori HPP and existing and future trade receivables from HeidelbergCement Georgia LLC and Georgian Railway JSC.

(ii) EPG has secured existing and future trade receivables from Rakeen Uptown Development LLC, Chiaturmanganum Georgia LLC, GTM Group LLC based on the concession agreement.

(iii) EPG has pledged immovable assets of subsidiary's Chkhori HPP and existing and future trade receivables from HeidelbergCement Georgia LLC and Georgian Railway JSC.

(iv) EPG pledged movable and immovable assets of subsidiary's Chkhori HPP, existing and future trade receivables from HeidelbergCement Georgia LLC, Georgian Railway JSC, Rustavi Steel LLC and Georgian Cement LLC.

PPF Bank

PPF Bank Czech Republic provided financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit (EUR '000)	Credit balance 2016 (EUR '000)	Maturity Date
Facility PPF	Financing of Investments	10,000	10,000	29-Jun-2018
	Accrued interests		13	
Total		10,000	10,013	

In June 2016 the Group fully repaid Senior Loan and Mezzanine Loan made between PPF banka a.s. and ENERGO-PRO Varna EAD. In December 2016 ENERGO-PRO a.s. entered into a loan agreement with PPF Bank in the Czech Republic amounting to EUR 10,000 thousand. The final repayment date of the loan is 29 June 2018 and the interest rate is 16% per year.

The loan obtained from PPF Bank is secured by the pledge of shares, immovable and movable assets of ENERGO-PRO MVE, s.r.o. (related company of EPas) as collateral.

Eurobank Bulgaria

Facility	Purpose	Credit limit (EUR '000)	Credit balance 2016 (EUR '000)	Maturity Date
Eurobank Bulgaria	Standard Loan	20,000	20,000	31-Oct-2017
	Accrued interests		83	
Total		20,000	20,083	

In November 2016 a company from the Group has concluded an agreement with Eurobank Bulgaria AD for a standard loan, with no right of use of the repaid amounts with credit limit EUR 20 million. The final date of repayment of principal and interest is October 31, 2017. The interest rate is fixed at a rate of 2.98%. ENERGO-PRO Varna EAD is a joint debtor on the loan.

(iii) Bonds

Bonds Issue	31-Dec-2016	31-Dec-2015
Bonds - principal	108,700	-
Bonds - interest	563	-
Unrealised initial expense associated with the bond issue	(149)	-
	109,114	-

In November 2016 ENERGO - PRO Varna EAD issued corporate bonds in the amount of EUR 130,000 thousand under the conditions of private (non-public) offering. The number of bonds is 1,300 with a nominal value of EUR 100,000. The interest rate is fixed at 3.5% per year. The issue is registered with the Central Depository with ISIN BG2100018162. The interest payment on the bonds is carried out once a year in November. ENERGO - PRO Grid AD (subsidiary) has purchased bonds amounting to EUR 21,300 thousand (BGN 41,659 thousand). As at 31 December 2016, the value of the issued bonds purchased by third parties amounted to EUR 108,700 thousand (BGN 212,599 thousand).

The maturity date of the bonds is 8 November 2023.

The bond issue is secured with a special pledge on the shares of ENERGO - PRO Sales AD and ENERGO-PRO Grid AD and shares of ENERGO-PRO Energy Services EOOD, owned by ENERGO-PRO Varna EAD. The pledge is in favour of United Bulgarian Bank AD, which was elected as a trustee bank to the bondholders of the first General Meeting of Bondholders held on December 7, 2016. New shares and / or shareholdings, which would in the future be held by ENERGO - PRO VARNA EAD in the three companies as well as dividends, proceeds from sale and liquidation quotas are also provided as collateral.

(iv) **Loans from others**

The Group was provided with the following facilities:

Creditor	Purpose	Credit limit recalculated to (EUR '000)	Credit limit original currency ('000)	Credit balance 2016 (EUR '000)	Maturity Date
Dolnolabské elektrárny a.s.	Operational loan	3,700	CZK 100,000	3,700	31-Jan-2019
	Accrued Interests			258	
Total				3,958	
DK Holding Investments, s.r.o.	Operational loan	23,550	23,550 EUR	23,550	10-May-2017
	Accrued Interests			64	
Total				23,614	
Nyland Holding N.V.	Operational loan	11,103	CZK 300,000	11,103	31-Dec-2018
	Accrued Interests			884	
Total				11,987	
Creditor	Purpose	Credit limit recalculated to (EUR '000)	Credit limit original currency ('000)	Credit balance 2016 (EUR '000)	Maturity Date
Dolnolabské elektrárny a.s.	Operational loan	3,700	CZK 100,000	3,700	31-Jan-2019
	Accrued Interests			258	
Total				3,958	
DK Holding Investments, s.r.o.	Operational loan	23,550	23,550 EUR	23,550	10-May-2017
	Accrued Interests			64	
Total				23,614	
Sloane Park Property Trust H.B.	Operational loan	11,103	CZK 300,000	11,103	31-Dec-2018
	Accrued Interests			884	
Total				11,987	

*) Amounts included accrued interests.

According to the loan agreement signed on 25 March 2014, the Company obtained a loan from Dolnolabské elektrárny a.s. in the total amount of CZK 100,000 thousand (EUR 3,700 thousand). The annual interest rate is 1M PRIBOR+2.25% p.a.

According to the loan agreement signed on 15 December 2016, the Company obtained a loan from DK Holding Investments, s.r.o. in the total amount of EUR 23,550 thousand). The annual interest rate is 8,0% p.a.

According to the loan agreement signed on 25 January 2016, the Company obtained a loan from Sloane Park Property Trust H.B. in the total amount of CZK 300,000 thousand (EUR 11,103 thousand). The annual interest rate is 8,5% p.a.

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

22. Trade and Other Payables

(EUR'000)	2016	2015
Trade payables	71,954	65,918
Deposits	1,377	1,058
Rent payables	4	9
Dividend payables	1,561	-
Other	2,147	2,799
Total trade and other payables	77,043	69,784

23. Other Current Liabilities

(EUR'000)	2016	2015
Taxes payable	6,284	5,190
Payable to personnel	3,859	4,299
Prepayments for electricity	5,313	4,654
Deferred income from connection fees	4,909	4,729
Advances received	34	300
Other liabilities	653	499
Total other current liabilities	21,052	19,671

24. Service Expenses

(EUR'000)	2016	2015
Dispatch and transmission	(73,523)	(53,239)
Technological losses of electricity	(29,239)	(21,009)
Professional service fees	(10,369)	(8,815)
Repairs and maintenance	(6,755)	(4,344)
Security expense	(1,903)	(1,971)
Insurance	(3,857)	(3,777)
Interconnection charges for rights	(33)	(18)
Rent expenses	(2,515)	(2,149)
Encashment fee	(2,056)	(2,210)
Other	(3,092)	(3,534)
Total services expenses	(133,342)	(101,066)

25. Other Operating Expenses

(EUR'000)	2016	2015
Business trip expenses	(4,300)	(4,073)
GNERC regulatory expense	(1,380)	(760)
Provision for impairment and bad debt write off (Note 13)	(2,541)	(928)
Office supplies consumed	(432)	(366)
Provision for expenses	1,925	(5,357)
Court expenses	(2,677)	(591)
Provision for impairment and bad debt write off of receivables for court cases	(1,305)	(2,414)
ESCO Service Fee	(535)	(513)
Export Auction Fee	-	(413)
Impairment loss recognised for power purchase agreements (Note 9)	(3,762)	(1,493)
Gains less losses on disposal of property, plant and equipment	(444)	-
Other	(4,973)	(3,168)
Total other operating expenses	(20,424)	(20,076)

26. Finance Costs - Net

(EUR'000)	2016	2015 Restated
Interest expense from bank borrowings	(26,908)	(28,517)
Expenses relating total repayment of loan from PPF	(5,591)	(433)
Gains on decrease of interest rates (Note 21)	(31)	(22)
Unrealized fin. expenses PPF banka a.s.	(2,752)	(575)
Interest expense net	-	-
Interest expense bonds	(563)	-
Fee from loans and other	(270)	(910)
Other finance costs	(515)	(199)
Net foreign exchange losses	(30,558)	(37,961)
Finance costs	(67,188)	(68,617)
Interest income on issued loans	2,452	1,988
Interest income – bonds	1,071	153
Other financial income	25	228
Gain on sale of bonds	-	672
Net foreign exchange gains	-	-
Finance income	3,548	3,041
Net finance costs	(63,640)	(65,576)

27. Other Income

(EUR'000)	2016	2015
Surplus from inventory and PPE counts	1,027	734
Income from penalties and fines	592	426
Income from insurance claims	91	1,452
Gains less losses on disposal of property, plant and equipment	1,880	140
Other	3,832	2,774
Total other income	7,422	5,526

28. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

(EUR'000)	2016	2015
Current tax	(12,322)	(5,400)
Deferred tax	19,394	2,935
Income tax expense for the year	7,072	(2,465)

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

(EUR'000)	2016	2015
Profit before tax	52,040	1,239
Theoretical tax charge at statutory rate*	(16,875)	1,974
Tax rate	32%	-159%
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempted from taxation	(106)	(24)
- Imputed tax payables for commercial loss	(49)	(1,073)
- Non-deductible expenses	(1,189)	(2,876)
- Investment allowance used (previously unrecognised)	121	121
- Carry forward tax loss over which deferred income tax asset was not recognised	(7,398)	79
- WHT paid in other countries	(61)	(16)
- Effect of not recognised deferred tax asset	7,503	(650)
- Adjustments to deferred tax attributable to changes in tax rates and laws	25,126	-
Income tax expense for the year	7,072	(2,465)

* The resulting income tax rate was determined as the weighted average of all EP Group entities.

(b) Deferred taxes

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

EUR'000	2016	2015
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	796	1,123
- Deferred income tax asset to be recovered within 12 months	188	124
	984	1,247
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(8,164)	(27,983)
- Deferred income tax liability to be recovered within 12 months	(37)	(4,545)
	(8,201)	(32,528)
Net deferred income tax liabilities (net)	(7,217)	(31,281)

(c) Deferred taxes analysed by type of temporary difference

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

	1-1-2016	Disposal (Note 31)	Charged/ (credited) to profit or loss	Exchange differences	31-12-2016
(EUR'000)					
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	(50,064)	3,574	24,625	2,326	(19,539)
Trade receivables	(1,443)		1,443	-	-
Borrowings	(620)		669	(8)	41
Other current assets	(238)		(70)	38	(270)
Other temporary differences	(433)		128	-	(305)
Total deferred tax liability	(52,798)	3,574	26,795	2,356	(20,073)

	1-1-2016	Business combination s	Charged/ (credited) to profit or loss	Exchange differences	31-12-2016
(EUR'000)					
Tax effect of deductible temporary differences					
Inventories	33	-	90		123
Allowances for trade receivables	1,300	-	(153)	-	1,147
Trade and other payables	72	-	(70)	-	2
Deferred income	1,038	-	(178)	-	860
Provisions	4,677	-	(1,233)	(16)	3,428
Carry forwards tax losses	11,689	-	(6,003)	(915)	4,771
Unutilised investment incentives	2,125	-	121	(317)	1,929
Other temporary differences	583	-	27	(14)	596
Total deferred tax assets	21,517	(-)	(7,399)	(1,262)	12,856
Net deferred tax liability	(31,281)	3,574	23,171	1,094	(7,217)

The tax effects of the movements in the temporary differences for the year ended 31 December 2015 are:

	1-1-2015	Business combinations	Charged/ (credited) to profit or loss	Exchange differences	31-12-2015
(EUR'000)					
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	(56,911)	-	402	6,445	(50,064)
Trade receivables	(840)	-	(743)	140	(1,443)
Borrowings	(858)	-	124	114	(620)
Other current assets	(238)	-	(31)	31	(238)
Other temporary differences	(472)	-	(1)	40	(433)
Total deferred tax liability	(59,319)	-	(249)	6,770	(52,798)

(EUR'000)	1-1-2015	Business combinations	Charged/ (credited) profit or loss	to Exchange differences	31-12-2015
Tax effect of deductible temporary differences					
Inventories	130	-	(91)	(6)	33
Allowances for trade receivables	1,266	-	34	-	1,300
Trade and other payables	74	-	8	(10)	72
Deferred income	1,293	26	(280)	(1)	1,038
Provisions	4,134	-	553	(10)	4,677
Carry forwards tax losses	10,068	80	2,896	(1,355)	11,689
Unutilised investment incentives	2,508	-	(122)	(261)	2,125
Other temporary differences	572	-	17	(6)	583
Total deferred tax assets	20,045	106	3,015	(1,649)	21,517
Net deferred tax liability	(39,274)	106	2,766	5,121	(31,281)

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

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

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

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

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

29. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be initiated. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

EPG

At 31 December 2016 EPG was engaged in several litigation proceedings. Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made.

One of litigation proceeding amounting to EUR 2,319 thousand (GEL 6,479 thousand) was with TGR ENERJI ELEKTRIK TOPTANTIC A.S. domiciled in Turkey. As of the date of preparation of these consolidated financial statements, the litigation was resolved in favour of EPG, However the court decision has not been executed. EPG provides provision for 100% of the amount under dispute.

EPV

Decision of the EWRC for revoking the licence for the activity "public electricity supply"

By Decision No 01- L- 139-11, dated March 19, 2014, the EWRC has adopted a decision that initiates the revoking of the license of a company of the Group for the activity of public electricity supply. Decision No 01- L- 139-11 is issued based on AEA No KRC 14 dated March 4, 2014. Management has taken the necessary actions to submit in due time to the Regulator its written opinion on the decision for revoking of the license of the EPS for the activity "public electricity supply".

The Management of the Group considers that the undertaken activities of the Group of setting off liabilities under invoices issued by NEK EAD for purchase of electricity as an end supplier, with receivables arising from non-reimbursed expenses, in connections with Group's public liabilities to purchase electricity on preferential prices for the period July 1, 2012 to June 30, 2013, are not against the current legal framework including the Energy Act and therefore there is no legal ground for starting a procedure for revoking the licence of the Group for the activity "public electricity supply".

In 2016 and 2015 and as at the date of these financial statements, there is no movement in open proceedings for revocation of the license of EPS.

In view of the above, the Group's management believes that the grounds on the basis of which KEVR has opened proceedings to revoke the license of the EPS Activity "public electricity supply " has dropped and therefore the Group continues to apply the going concern principle.

There are uncertainties related to proceeding under the Protection of Competition Act and other legal actions against the Group as described in Note 20 (b) and 20 (d).

The Management believes that there is a possibility of a positive development in above mentioned cases and that provisions recorded by the Group are sufficient.

PPE without ownership documents

In regard with the separation of EDC Gorna Oryahovitsa (former name of ENERGO-PRO Grid AD) and EDC Varna (former name of ENERGO-PRO Sales AD) from the National electricity company (NEC) effected in 2000, the EPV companies acquired certain land and buildings with insufficient ownership deeds. As at December 31, 2016 the EPV Group's net book value of such assets is EUR 1,673 thousand (BGN 3,273 thousand); as at December 31, 2015: EUR 1,798 thousand (BGN 3,516 thousand).

Purchase measurement equipment and energy facilities

As at December 31, 2016 the Group has entered into connection contracts under which the other party is obliged to build the connection facilities. The Group has committed to purchase these facilities after they have been finished. The Management has made an assessment of the commitments, for which financial information is available, and as at December 31, 2016 it amounted to EUR 4,620 thousand (BGN 9,035 thousand); December 31, 2015: EUR 5,216 thousand (BGN 10,201 thousand).

Tax legislation

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

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

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges.

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

Management believes that it has implemented internal controls to be in compliance with TP legislation.

Management of the Group has no information for any circumstances which may lead to tax payables in a significant amount.

Assets pledged and restricted. Group has pledged shares, property, plant and equipment, cash, insurance and trade receivables of the Company, EPB, RH, gPower and EPG as collateral to secure the loan facilities obtained from the Czech Export Bank. The Group has pledged shares of ENERGO-PRO Varna EAD, shares of ENERGO-PRO Energy Services EOOD, shares of ENERGO-PRO Grid AD and shares of ENERGO-PRO Sales AD as collateral to secure the bonds emission of ENERGO-PRO Varna EAD issued in November 2016.

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

Contingent assets. The Group received guarantee letters amounting to EUR 7 thousand (TRY 25 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

Contingent liabilities. The Group issued guarantee letters amounting to EUR 5,925 thousand (TRY 21,982 thousand). Guarantee letters issued are mainly given to the Energy Market Regulatory Authority ("EMRA"), TEİAŞ and various electricity distribution institutions.

There is conveyance over the receivables of the Company amounting to EUR 117,312 thousand: TRY 435,217 thousand (31 December 2015: EUR 117,312 thousand: TRY 372,772 thousand) for the investment loan obtained from Czech Export Bank. Commercial enterprise pledge amounting to EUR 550,000 thousand: TRY 1,935,560 thousand (2015: EUR 550,000 thousand: TRY 1,747,680 thousand) has been given as a guarantee for the loan obtained from Czech Export Bank.

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

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

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

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

As of 31 December 2016 and 2015, EPG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

Operating lease.

In November, 2012 the Group entered into a new lease contract on offices in Varna, which cancelled the contract, concluded in July, 2010. The rental price varies over time. The contract is concluded for a period up to December 31, 2020.

In November 2014, the Group has entered into a new lease agreement for offices in Varna, which cancelled the contract, concluded in November 2012. The rental price varies in different periods. The contract is concluded until 28 November 2017 and cannot be terminated except in violation of its provisions by one of the parties.

Annual payments for 2017 under this contract are in the amount of EUR 254 thousand (BGN 497 thousand).

To secure the obligations of renting amount, the Group issued in favour of the landlord a bank guarantee of a total value of EUR 235 thousand (2015: EUR 235 thousand).

30. Business Combinations

No new acquisitions were realized in 2016 within the Group.

31 – Disposal of subsidiaries

In 13 December 2016, the Group disposed of Bilsev which was a hydroelectric power plant under construction. Bilsev was sold to Energo Pro Turkish Development s.r.o due to Energo Group decision with a consideration of EUR 14,439 thousand (48,189 thousand TL).

EUR thousand	2016
<u>Book value of net assets sold</u>	
Current assets	
- Cash and cash equivalents	1,266
- Other	569
Non-Current assets	
-Property, plant and equipment	9,915
-Intangible asset	17,495
Non-Current liabilities	
- Payables and other liabilities	(7,881)
- Deferred tax liabilities	(3,574)
Total	17,790

(recalculated by using average fx rate TRY/EUR)

EUR thousand	2016
<u>Consideration:</u>	
- Consideration paid in cash and cash equivalents	(14,439)
- Net assets disposed of	17,790
Loss from sale of asset	3,351

(recalculated by using average fx rate TRY/EUR)

32. Transactions with Non-controlling Interest

In 2015 ENERGO-PRO Varna EAD purchased 3.15 % of share capital of ENERGO-PRO Grid AD and 16.07% of share capital of ENERGO-PRO Sales AD.

In regard to shareholder changes in the parent company EPas at the beginning of 2016, the shareholder structure was changed in RH to 100% of shares.

In regard to shareholder changes of the parent company EPas at the beginning of 2016, the shareholder structure was changed in EPTop to 100% of shares.

33. Financial Risk Management

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

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

(EUR'000)	2016	2015 Restated
Non-current financial assets (Note 11)		
- Restricted bank deposit	3,833	2,238
Trade and other receivables (Note 13)		
- Trade receivables	111,025	103,683
Issued loans (Note 10)		
- Loans issued	52,737	22,275
Cash and cash equivalents (Note 14)		
- Bank balances payable on demand	86,034	45,348
- Short-term deposit	24	1,397
- Restricted cash	(3,752)	(3,258)
Total	249,901	171,683

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

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant.

In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes

in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 2016 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

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

(EUR'000)	At 31 December 2016			At 31 December 2015 Restated		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD *)	12,702	57,101	(44,399)	2,694	66,236	(63,542)
EUR	72,771	434,123	(361,352)	19,580	402,538	(382,958)
RON *)	419	3	416	1,307	60	1,247
TRY *)	48	0	48	536	0	536
Total	85,940	491,227	(405,287)	24,117	468,834	(444,717)

*) Denominated in EUR

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

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

(EUR'000)	At 31 December 2016	At 31 December 2015
	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 10%	(4,440)	(6,354)
US Dollar weakening by 10%	4,440	6,354
EURO strengthening by 10%	(36,135)	(38,296)
EURO weakening by 10%	36,135	38,296
RON strengthening by 10%	42	125
RON weakening by 10%	(42)	(125)
TRY strengthening by 10%	5	54
TRY weakening by 10%	(5)	(54)

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

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

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

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

The tables below show liabilities at 31 December 2016 and at 31 December 2015 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings (Note 21)	162,424	241,008	54,370	457,802
Trade and other payables (Note 22)	84,984	-	1,252	86,236
Other non-current financial liabilities (Note 18)	43	214	-	257
Other current liabilities	10,702	-	-	10,702
Bonds	-	64,603	63,302	127,905
Total future payments, including future principal and interest payments	258,153	305,825	118,924	682,902

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings (Note 21)	125,024	299,113	138,451	562,588
Trade and other payables (Note 22)	69,268	-	-	69,268
Other non-current financial liabilities (Note 18)	2	-	-	2
Other current liabilities	8,760	1	-	8,761
Total future payments, including future principal and interest payments	203,054	299,114	138,451	640,619

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

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

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

34. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

35. Events after the Reporting Period

On 23 December 2016 **ENERGO-PRO Goergia JSC** started the process of reorganisation driven by the need to unbundle generation and distribution activity into separate legal entities. As a result, a new legal entity JSC Energo-Pro Georgia Generation has been spun off from ENERGO-PRO Georgia JSC. On 27 December 2016 all generation assets and shares of one of its subsidiaries, JSC Zahesi, were transferred to JSC Energo-Pro Georgia Generation, whose immediate parent entity, owning 100% of shares, is ENERGO-PRO a.s. ENERGO-PRO Georgia JSC annual consolidated financial statements for 2016 have been prepared based on the assumption that this spin off had not occurred.

According to the amendment signed on 21 April 2017 in respect of the term facility agreements dated 3 January 2007 and 22 December 2009, Facility D, Facility F, Facility G and Facility H Loans were transferred from ENERGO-PRO Georgia JSC to JSC Energo-Pro Georgia Generation.

According to the amendment signed on 21 April 2017 in respect of the term facility agreement, where original borrower was LLC gPower, JSC Energo-Pro Georgia and JSC Energo-Pro Georgia Generation became jointly liable for the borrowings.

By a decision of the Management Board of ENERGO-PRO Varna EAD on 14 February 2017, the share capital of ENERGO-PRO Energy Services EOOD was increased to BGN 15,000 thousand divided into 150,000 shares with a nominal value of BGN 100.

The increase in the share capital is realized through the submission a cash contribution, which is equal to the nominal value of the new 149,800 registered shares.

The share capital increase was entered in the Commercial Register on February 23, 2017.

On 03 February 2017 ENERGO-PRO Varna EAD submitted to the Financial Supervision Commission a Prospectus for admission to trading on a regulated market of securities of a corporate bond issue.

On 25 April 2017, the Financial Supervision Commission approved the Prospectus for admission to trading on a regulated market of securities of a corporate bond issue.

EPa.s. established on 27 April 2017 new Turkish entity Energo Pro IYI Dere Elektrik Üretim Sanayi Ve Ticaret A.S., a joint stock company with Registered address Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey and Identification number: 407035. The main activity is acquisition of Laskar Enerji Üretim Pazarlama A.S. and Mertler Enerji Üretim VE Ticaret A.S. (Incirly Saray HPP's operation). Currently, the company does not generate any Revenues as it is newly established company.

As of 5 January 2017 Nyland Holding N.V. assigned the receivable in the amount of EUR 11,103 thousand together with accrued interests (as stated in the chapter Borrowings – Loans from others) to Sloan Part Property Trust N.V. due to liquidation of Nyland Holding N.V.



ENERGO - PRO a.s.

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2015

INDEPENDENT AUDITOR'S REPORT To the Shareholder of ENERGO – PRO a.s.

Having its registered office at: Na poříčí 1079/3a, 110 00 Praha 1 - Nové Město
Identification number: 632 17 783

We have audited the accompanying consolidated financial statements of ENERGO – PRO a.s. and subsidiaries prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ENERGO – PRO a.s. and subsidiaries as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

We draw attention to Note 29 section "EPV" to the accompanying consolidated financial statements which describes the uncertainty related to the outcome of the legal proceedings and litigations. Our opinion is not modified in respect to this matter.

Other information

The other information comprises the information included in the consolidated annual report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether the other information in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, the consolidated annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 29 July 2016

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Pavel Raštica
registration no. 2180



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Consolidated Statement of Financial Position
Year ended 31 December 2015

(EUR'000)	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	7	519,173	577,469
Prepayments for property, plant and equipment		3	221
Goodwill	8	76,508	83,067
Other intangible assets	9	108,965	124,821
Non-current financial assets	11	28,256	28,717
Deferred tax assets	28	1,247	1,266
Non-current portion of issued loans	10	-	46
Other non-current assets		116	284
Total non-current assets		734,268	815,891
Current assets			
Inventories	12	8,086	6,965
Trade and other receivables	13	103,683	127,815
Current income tax asset		3,919	4,685
Current portion of issued loans	10	22,275	14,462
Cash and cash equivalents	14	43,567	65,216
Other current assets	15	11,902	15,983
Total current assets		193,432	235,126
TOTAL ASSETS		927,700	1,051,017
EQUITY			
Authorised share capital	16	3,569	3,569
Translation reserve		(22,145)	11,541
Retained earnings	17	201,689	197,945
Equity attributable to the company's owners		183,113	213,055
Non-controlling interest		13,464	24,477
TOTAL EQUITY		196,577	237,532
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	32,528	40,540
Provisions	20	10,792	10,744
Borrowings	21	399,917	459,180
Non-current financial liabilities	18	5,630	5,266
Other non-current liabilities	19	24,690	26,634
Total non-current liabilities		473,557	542,364
Current liabilities			
Provisions	20	36,490	31,764
Trade and other payables	22	69,784	73,637
Income tax payable		598	572
Borrowings	21	131,023	147,442
Other current liabilities	23	19,671	17,706
Total current liabilities		257,566	271,121
Total liabilities		731,123	813,485
Total liabilities and equity		927,700	1,051,017

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 29 July 2016

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of Comprehensive Income
Year ended 31 December 2015

(EUR'000)	Note	2015	2014
Revenue			
Sales of electricity in local markets		578,165	530,431
Cross border sales of electricity		14,988	6,960
Grid components of electricity sales price		137,381	125,122
Services and other		22,101	20,219
Total revenue		752,625	682,732
Other income	27	5,526	4,093
Purchased power		(446,125)	(388,745)
Service expenses	24	(101,066)	(101,146)
Labour costs	29	(57,990)	(58,825)
Material expenses		(7,353)	(6,115)
Tax expenses		(6,765)	(5,278)
Other operating expenses	25	(20,076)	(18,788)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)		118,776	107,940
Depreciation and amortisation expense	7,9	(52,394)	(59,242)
Earnings before financial expenses and taxes (EBIT)		66,382	48,698
Finance income	26	3,041	9,531
Finance costs	26	(68,184)	(33,764)
Finance costs – net		(65,143)	(24,233)
Income before income tax (EBT)		1,239	24,465
Income tax	28	(5,400)	(8,888)
Deferred taxes	28	2,935	1,580
Total income tax expense		(2,465)	(7,308)
Profit/(loss) for the year		(1,226)	17,157
Profit/(loss) attributable to:			
- Owners of the company		(1,869)	16,020
- Non-controlling interest		643	1,137
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(33,482)	11,585
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss			
Gross amount		(124)	15
Tax effect		-	-
Net amount		(124)	15
Other comprehensive income/(loss)		(33,606)	11,600
Total comprehensive income/(loss)		(34,832)	28,757
Total comprehensive income attributable to:			
- Owners of the company		(35,466)	27,609
- Non-controlling interest		634	1,148

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Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of Changes in Equity
Year ended 31 December 2015

(EUR'000)	Note	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Authorised share capital	Translation reserve	Retained earnings and other reserves	Total equity		
At 1 January 2014	16	3,569	(55)	183,836	187,350	15,928	203,278
Net income for the period		-	-	16,020	16,020	1,137	17,157
Other comprehensive income		-	11,585	4	11,589	11	11,600
Comprehensive income for the period		-	11,585	16,024	27,609	1,148	28,757
Other changes in Equity			11	763	774		774
Sale of shares of EP Grid (to Sloane Park)				(2,678)	(2,678)	7,401	4,723
31 December 2014		3 569	11,541	197,945	213,055	24,477	237,532
Net income for the period		-	-	(1,869)	(1,869)	643	(1,226)
Other comprehensive income		-	(33,482)	(115)	(33,597)	(9)	(33,606)
Comprehensive income for the period		-	(33,482)	(1,984)	(35,466)	634	(34,832)
Disposal component of the group		-	(236)	633	397	-	397
Acquisition of non-controlling interest in Energo-Pro Grid AD (Note 31)		-	-	7,646	7,646	(18,816)	(11,170)
Partial sale of investment in Energo-Pro Grid AD (Note 31)		-	-	(5,483)	(5,483)	13,083	7,600
Acquisition of non-controlling interest in Energo-Pro Sales AD (Note 31)		-	-	3,151	3,151	(5,914)	(2,763)
Other changes in equity		-	32	(219)	(187)	-	(187)
31 December 2015		3,569	(22,145)	201,689	183,113	13,464	196,577

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 29 July 2016

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

Consolidated Statement of Cash-flows
Year ended 31 December 2015

(EUR'000)	Notes	2015	2014
Profit/(loss) before income tax		1,239	24,465
Adjusted for:			
Depreciation and amortisation expense	7,9	52,394	59,242
Interest income	26	(2,229)	(4,859)
Interest expense	26	28,517	32,696
Changes in provisions and impairment		9,674	7,671
Assets granted free of charge		(1,006)	(617)
Inventory surplus		(490)	(1,618)
(Gain)/Loss on disposal of property, plant and equipment		(164)	875
Inventory obsolescence expense		182	712
Other changes - difference in the rate of exchange etc.		42,101	(24,117)
Cash inflow from operating activities before changes in operating assets and liabilities		130,218	94,450
Movements in working capital			
Decrease/(increase) in inventories	12	(813)	145
Decrease /(increase) in trade accounts receivable	13	12,908	(10,441)
(Increase)/decrease in other current assets	15	5,228	2,182
Increase/(decrease) in trade and other payables	22	(15,048)	(15,364)
Increase/(decrease) in other liabilities	23	411	(941)
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		132,904	70,031
Interest received		1,675	4,217
Income tax paid		(5,860)	(20,190)
Net cash (outflow)/inflow from operating activities		128,719	54,058
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired	30	-	(2,331)
Purchases of property, plant and equipment and intangible assets	7,9	(34,665)	(29,928)
Proceeds from sale of property plant and equipment		120	169
(Increase)/decrease in restricted bank deposit and restricted cash	11	-	2,050
Loans granted	10	(8,725)	(6,649)
Loans repaid	10	358	2,515
Net change in deposits granted	13	(145)	(9,541)
Net change in purchased bonds		134	(23,721)
Acquisition of non-controlling interest in subsidiaries	31	(6,333)	-
Net cash outflow from investing activities		(49,256)	(67,436)
Cash flows from financing activities			
Proceeds from borrowings	21	109,266	85,143
Repayment of borrowings	21	(188,441)	(78,411)
Interest paid		(21,937)	(19,411)
Net cash used in financing activities		(101,112)	(12,679)
Net increase/(decrease) in cash and cash equivalents		(21,649)	(26,057)
Cash and cash equivalents at the beginning of the year	14	65,216	90,884
Effect of exchange rate changes on cash and cash equivalents		-	389
Cash and cash equivalents at the end of the year	14	43,567	65,216

Approved for issue and signed on behalf of the Board of Directors and the Group's management on 29 July 2016

Member of the Board of Directors
Petr Tesar

Financial Manager
Vlastimil Ourada

1. ENERGO-PRO Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2015 for ENERGO-PRO a.s. and its subsidiaries (together referred to as the "Group").

ENERGO-PRO a.s. ("the Company") is a joint stock company established on 23 March 1995. The registered address of the Company is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the Company is 63217783. The main activities of the ENERGO-PRO a.s. Group ("the Group") are power generation from HPPs, electricity distribution and power trading. The ultimate shareholders of the Company are Jaromir Tesar and Jiri Krusina, with the ownership of 75% and 25%, respectively.

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

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

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

Name	Location	Share
ENERGO-PRO a.s.	Czech Republic	parent
ENERGO-PRO GEORGIA JSC	Georgia	100%
Nova Technology JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Trading EAD	Bulgaria	100%
ENERGO-PRO VARNA EOOD	Bulgaria	100%
Reşadiye Hamzalı Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	99.9%
ENERGO-PRO GÜNEY ELEKTRİK TOPTAN SATIŞ İTHALAT İHRACAT VE TİCARET A.Ş.	Turkey	99.9%
ENERGO-PRO ELEKTRİK SANAYİ VE TİCARET ANONİM ŞİRKETİ	Turkey	99.9%
MEGAWATT SERVIS s.r.o.	Czech Republic	100%

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

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

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

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

List of Group's hydro power plants ("HPPs"):

Location	Hydro power plants	Installed capacity (MW)
1. Bulgaria	Koprinka	7.0
2. Bulgaria	Stara Zagora	22.4
3. Bulgaria	Sandanski	14.4
4. Bulgaria	Popina Laka	20.0
5. Bulgaria	Lilyanovo	22.0
6. Bulgaria	Klisura	3.5
7. Bulgaria	Barzia	5.6
8. Bulgaria	Petrohan	7.7
9. Bulgaria	Pirin	22.0
10. Bulgaria	Spanchevo	28.0
11. Bulgaria	Ogosta	4.9
12. Bulgaria	Samoranovo	2.8
13. Bulgaria	Katuntsi	3.45
14. Bulgaria	Karlukovo	2.3
15. Georgia	Atsi	16.0
16. Georgia	Rioni	48.0
17. Georgia	Gumati I	44.0
18. Georgia	Gumati II	22.8
19. Georgia	Lajanuri	112.5
20. Georgia	Shaori	38.4
21. Georgia	Dzevrula	80.0
22. Georgia	Chitakhevi	21.0
23. Georgia	Satshenesi	14.0
24. Georgia	Ortatshala	18.0
25. Georgia	Martkopi	4.0
26. Georgia	Sioni	9.0
27. Georgia	Zaghesi	41.0
28. Georgia	Kinkisha	0.8
29. Georgia	Chkhorotsku	5.0
30. Turkey	Hamzali	16.7
31. Turkey	Aralik	12.4
32. Turkey	Resadiye 1	16.0
33. Turkey	Resadiye 2	26.7
34. Turkey	Resadiye 3	22.9
Gas power plants		
35. Georgia	Gardabani	110
Total		845.25

As of 31 December 2015 the following green field projects are being developed:

Location	Hydro power plants	Installed capacity (MW)
Turkey	Karakurt (pre-construction phase)	99.5
	Transmission line	Capacity (MW)
Georgia	154 kV Transmission line incl. HVDC to Turkey	350

The number of employees of the Group as of 31 December 2015 and 2014 was 8,192 and 7,895 respectively (including employees of ENERGO-PRO a.s. and MEGAWATT SERVIS s.r.o.).

Subsidiaries

JSC ENERGO-PRO Georgia ("EPG")

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

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

The investment project of the Group in Georgia has been implemented with the financial support of the Czech Export Bank a state-owned Czech financial institution which is specialised in providing support for export activities and foreign investments of Czech companies.

Principal activity. EPG's principal business activity is generation and distribution of electricity.

EPG manages and maintains medium and small-sized hydro power plants.

EPG distributes electricity to all the regions of Georgia except for the capital city of Tbilisi and the Kakheti region and covers 70% of the territory of Georgia. EPG serves over 1 million customers through its electricity distribution network.

EPG's registered address and place of business is 1 Sandro Euli Street, 0186 Tbilisi, Georgia.

The EPG Group consists of the following entities consolidated in the financial statements:

Name	Country of incorporation	The Group ownership interest		Type of operation
		2015	2014	
LLC gPower	Georgia	100%	100%	Gas-fired power plant
JSC Zahesi	Georgia	100%	100%	Hydro Power Plant
LLC Zoti Hydro	Georgia	95%	95%	Hydro Power Plant
				Construction (dormant)

LLC gPower was incorporated on 16 November 2010 and is domiciled in Georgia. LLC gPower signed an agreement with JSC Energy Invest to purchase its operating assets. These operating assets comprise mainly four gas power turbines with the installed capacity of 110 megawatt and other assets required for electricity generation (Gas-fired power plant). LLC gPower's principal business activity is the provision of guaranteed capacity and generation of electricity.

Guaranteed capacity ensures the stable and reliable functioning of the unified electric energy system of Georgia. The period of the standby mode, minimum volume and price of guaranteed capacity, as well as tariffs for the produced electricity are regulated by the Government of Georgia and the Georgian National Energy and Water Supply Regulatory Commission ("GNERC").

JSC Zahesi was incorporated on 21 October 2008 and is domiciled in Georgia. JSC Zahesi is a joint stock company limited by shares and was set up in accordance with Georgian legislation. JSC Zahesi's principal business activity is generation of electricity in three of its HPP with total installed capacity of 43.7 MW. Zahesi's registered address is 1 Kaskadi Street, Zahesi, Tbilisi, Georgia.

LLC Zoti Hydro was established on 25 November 2008, and the principal business activity of this entity is construction and operation of Hydro Power Plants. The registered address and place of business of LLC Zoti is 1 Sandro Euli Street, 0186 Tbilisi, Georgia.

LLC ESC-FIZ merged with ENERGO-PRO Georgia JSC on June 24, 2014.

The number of employees of EPG as of 31 December 2015 and 2014 was 5,253 and 5,266, respectively.

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

Nova Technology JSC ("Nova")

Nova is a joint stock company and was established on 19 March 2007.

Nova provides a variety of services to companies, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows and java terminals and other related services. Nova holds approximately 40-45% of the market share and is considered to be the leading company in the market. Nova's registered address is: 37 Uznadze Street, Tbilisi, Georgia

The number of Nova's employees as of 31 December 2015 and 2014 was 235 and 213, respectively.

ENERGO-PRO Bulgaria EAD ("EPB")

EPB is a joint stock company established on 13 September 2000. The registered address of the company is Floor 5, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria, identification number of the company is 130368870. EPB is the biggest private producer of electricity from hydro power plants (HPPs) in Bulgaria. With a total installed capacity of 166 MW and average annual production of 410 GWh the company is also the largest private generator of renewable energy in the country. Presently, EPB owns and operates fourteen hydropower plants (HPP). Ten of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

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

Name	Location	Share
"PIRINSKA BISTRITSA - ENERGIYA" AD	BULGARIA	100%
"PIRINSKA BISTRITSA - KASKADI" EAD	BULGARIA	100%
"LUKEL" EOOD	BULGARIA	100%
"OGOSTA-ENERGIYA" EOOD	BULGARIA	100%
"UVEKS - PRO" OOD	BULGARIA	51%

PIRINSKA BISTRITSA – ENERGIYA AD

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

LUKEL EOOD

Lukel EOOD is duly registered by the Sofia City Court under company file № 10295/2000 with its seat at 2 Pozitano square, fl. 5, 1000 Sofia, Bulgaria, re-registered with the commercial register of the Registry Agency. Its main activity is the study, design, and construction, funding and operation of hydro power plants. The company is an owner of one HPP "Karlukovo". The plant is located in the region of the village of Karlukovo downstream the Iskar River.

OGOSTA - ENERGIYA EOOD

Ogosta - Energiya EOOD is a company, duly incorporated and existing according to the Bulgarian laws, registered with the Commercial register of the Registry Agency. The company's seat and registered office are: 2 Pozitano square, fl. 5, 1000 Sofia, Bulgaria. The main business of the company is the design, construction and operation of hydro power plants. The company has one HPP. The plant is located below the dam wall of the Ogosta dam.

PIRINSKA BISTRITSA – KASKADI EAD

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

The company is registered in Bulgaria. The main business of the company is management and rent of HPP facilities. The business of Pirinska Bistritsa – Kaskadi AD is closely related to the production of electricity generated by Pirinska Bistritsa Cascade. Due to the Group restructuring carried out in 2014 HPP facilities were contributed in kind into Pirinska Bistritsa – Kaskadi AD capital. No special licence is required for the rent of own assets.

UVEKS – PRO OOD

The company is registered in Bulgaria. The main business of the company is construction, maintenance and operation of hydro power plants.

The number of employees of the EPB Group as of 31 December 2015 and 2014 was 175 and 183, respectively.

ENERGO-PRO Trading EAD ("EPT")

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

EPT actively trades with electricity in Bulgaria as well as its neighbour countries. In 2015 EPT obtained trading licences in Serbia and Greece.

The number of employees of the EPT as of 31 December 2015 and 2014 was 6 and 4, respectively.

Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş. ("RH")

RH is a joint stock company on established on 14 August 1986. The registered address of RH is Besa Kule Çukurambar Mah.1480.Sokak No: 2 Kat:12 Çankaya-ANKARA , identification number of RH is 61662. The main activities of RH involves operating hydroelectric power plants ("HPP") and trading with electricity produced through those plants.

Location	Hydro power plants	Installed capacity (MW)
Kelkit	Reşadiye HPP	65.6
Kırıkkale	Hamzalı HPP	16.7
Artvin	Aralık HPP	12.4

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

Name	Location	Share
Reşadiye Hamzalı Elektrik Üretim San.ve Tic. A.Ş.	Ankara	parent
Bilsev Enerji Üretim ve Ticaret A.Ş.	Ankara	99.2%

The consolidated wholly owned subsidiary of RH, is Bilsev Enerji Üretim ve Ticaret A.Ş. ("Bilsev") was, which purchased in October 2011 and is domiciled in Turkey.

The number of employees of the Group as of 31 December 2015 and 2014 was 102 and 91, respectively.

Energopro Güney Elektrik Toptan Satış İth. İhr. ve Tic. A.Ş. ("EPTop")

EPTop was registered on 19 February 2010. The registered address of EPTop is Iran Cad. No: 21 Karum Is Merkezi

D Blok 6.Kat No: 448 Kavaklıdere/Ankara, Turkey. Its activities are focused on trading with electricity in the Turkish energy market. The number of employees of the EPTop as of 31 December 2015 and 2014 was 6 and 6, respectively.

ENERGO-PRO ELEKTRİK SANAYİ VE TİCARET

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

The company was deleted from the Commercial Register in May 2015.

ENERGO-PRO VARNA EOOD ("EPV")

EPV was registered in June 2012 in the Trade Register to the Registration Agency with EIK 202104220. The permanent address of the entity is Varna, Varna Towers – E, 258 "Vladislav Varnenchik" Blvd. EPRV is parent-company and provides its subsidiaries with management and consulting services, related to overall management, planning activities and development of its subsidiaries. As of 31 December 2015 in EPRV has 558 employees (31 December 2014: 557 employees).

As of 31 December 2015 ENERGO-PRO VARNA EOOD directly owns shares in the following subsidiaries:

- ENERGO-PRO Grid AD - 93.10%;
- ENERGO-PRO Sales AD - 99.73%;
- ENERGO-PRO Energy Services EOOD - 100%.

ENERGO-PRO Grid AD (EPRG) is registered in the Trade Register to the Registration Agency with EIK 104518621 with its permanent address at Varna, Varna Towers – E, 258 "Vladislav Varnenchik" Blvd. EPRG distributes electricity by operating, maintaining and developing the electricity distribution network as well as the auxiliary facilities and networks and transmitting electricity along the grid. EPRG has licence L-138-07/13.08.2004, issued by the Energy and Water Regulations Commission (EWRC) - for the activity distribution of electricity, amended by Decision No I3-L-138 / 09.12.2013, with the rights and obligations deriving from the activity of "Coordinator of special balancing group for compensation of losses in the distribution network". As of 31 December 2015 EPRG has 1,605 employees (31 December 2014: 1,644 employees).

ENERGO-PRO Sales AD (EPRS) is registered in the Trade Register to the Registration Agency with EIK 103533691 with its permanent address Varna, Varna Towers – G, 258 "Vladislav Varnenchik" Blvd. EPRS is engaged in the activity of electricity supply. EPRS has a licence, issued by EWRC for the public supply of electricity for a self-contained area, amended by Decision No I1-L-139/ 09.12.2013, complemented with the rights and obligations deriving from the activity of the "coordinator of special balancing group" of household and non-household customers, group of producers of electricity from renewable sources and group of producers of electricity from cogeneration plants production and licence for the activity of delivery of electricity from the supplier of last resort. As of 31 December 2015 EPRS has 38 employees (31 December 2014: 49 employees).

ENERGO-PRO ENERGY SERVICES EOOD (EPRES) is registered in the Trade Register to the Registration Agency with EIK 131512672 with its permanent address at Varna, Varna Towers – G, 258 "Vladislav Varnenchik" Blvd. EPRES is engaged in trading with electricity, gas and other energy on the electricity market at freely negotiated prices. EPRES has a license, issued by EWRC for electricity trade. As of 31 December 2015 in EPRES has 48 employees (31 December 2014: 17 employees).

The number of employees of the EPV Group as of 31 December 2015 and 2014 was 2,249 and 2,278, respectively.

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

MGW is a limited liability company established on 8 December 1994. The registered address is at Edisonova 3023/5, Královo Pole, 612 00 Brno, Czech Republic, identification number of the company is 62061780. The main activities of MGW are consultancy in hydro energy sector and assembling of hydro technical facilities.

The number of employees of the MGW as of 31 December 2015 and 2014 was 44 and 49, respectively.

Related party companies

Czech Hydro s.r.o. ("CH"), former ENERGO-PRO Czech, s.r.o. is a limited liability company established on 9 April 2001. CH is a sister company controlled by the same shareholders as the Group. The registered address is at nám. Míru 62/39, 568 02 Svitavy, Czech Republic, identification number of the company is 26445085. The main activity of CH is production of electricity.

Czech Hydro Servis a.s., former ENERGO-PRO SERVIS, a.s. ("CHS") is a joint stock company established on 5 November 1996 as a 100% subsidiary of CH. The registered address of the company is nám. Míru 62/39,

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

568 02 Svitavy, Czech Republic, identification number of the company is 25259253. The main activity of EPS involves providing services and rehabilitation work of hydro power plants.

Dolnolabské elektrárny a.s. ("DEL") is a joint stock company established on 15 May 2000. DEL is a sister company controlled by the same shareholders as the Group. The registered address of the company is at nám. Míru 62/39, 568 02 Svitavy, Czech Republic, identification number of the company is 26176165. The main activity of DEL is the operation of a newly built hydro power plant Litomerice on the Labe river in the Czech Republic.

Celveti Estates s.r.o. ("CE") is a limited liability company established on 5 February 2014. The registered address of the company is at nám. Míru 62/39, 568 02 Svitavy, Czech Republic. In 2014 CE acquired 100% of the shares of LITOSTROJ POWER d.o.o.

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

ČKD Blansko Engineering, a.s. ("CBE") is a joint stock company established in the Czech Republic. The registered address of the company is at Čapkova 2357/5, 678 01 Blansko, Czech Republic. CBE is a subsidiary of LP.

Terestra-Bulgaria OOD is a limited liability company established in 2002 under Bulgarian legislation. The registered capital of the company is BGN 5,000. The company has two shareholders – Jaromir Tesar and Jiri Krusina. The registered seat and the address of the company is at 100, G.S.Rakovski street, Sofia, Bulgaria. Identification number of the company is 130975347. The company's main activities according to its Articles of Incorporation are the production of electricity from HPP and other.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period 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 re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have 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. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

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

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

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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.

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include electricity generation licenses acquired in business combinations.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use.

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Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

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

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

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

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

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

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

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

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

Investment incentives. The Group benefits from investment incentives implemented by way of credits to be applied in determining tax liabilities. In general, tax credits are tax benefits received other than tax deductions that normally arise (at standard rates) from deductible expenditures. A deferred tax asset is recognised for unused

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tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. Initial recognition is accounted for through profit and loss.

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

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

Impairment of financial assets carried at amortised cost. 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, 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 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.

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.

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,

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the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

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

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

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

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

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

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

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

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

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at 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.

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

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

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

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

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

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

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

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

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

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

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

When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal

of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

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

Revenue recognition. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured;

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

(a) Revenue from sale of electricity

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

(b) Revenue from sales of services

Sales of services are 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. Sales of services comprise:

- (i) Grid components of the electricity sales price such as green energy, energy produced by co-generation, transmission fee, grid access fee and grid distribution fee.
- (ii) Connection fees. The connection has no value for customers as it only provides access to the grid but not ongoing grid services. These are regulated by the regulatory framework. In the Group's case, the connection fees and grid services fees are interrelated which indicates that only one service is provided – distribution (being the ongoing access to the network). Considering the price regulation, there is a cross-subsidy between the connection fees and distribution fees on a macro level. Accordingly, the connection fees reduce the distribution fees for each class of customers. As the industry is working on the cost reflected regulated tariff as a natural monopoly, the cost of connection has to be recovered somehow, if there were no connection fees it would be reflected in the grid services fees. Under such a regime, all customers would subsidise new connections. It can therefore be stated that due to payment of the connection fee, the distribution fee enjoyed by the customer is lower in future years even though such discount is not customer specific. Revenue from fees generated from connection of new customers to the electricity distribution network is deferred where the Group has an obligation to render further services in the future relating to the distribution of electricity. The deferred income is subsequently released in profit or loss on grounds of the useful lives of the underlying measurement devices installed at the customers' premises.
- (iii) Other – such as charges to reconnect customers, checking of electrical devices and other.

(c) Interest income

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

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

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

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

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

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

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Defined benefit obligations. The valuation of the long term payables to employees (a lump-sum paid upon retirement) is performed using the unit credit method. The valuation is performed by actuaries, as of the balance sheet date. The payable, recognised in the balance sheet represents the net present value of the payments, as well as any actuarial

corrections and expenses for previous employment. The actuary gains and losses, resulting from practical adjustments and changes of the actuary suppositions, are recognised in Other comprehensive income.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 6.

Revenue from sale of electricity. Revenue from sale of electricity is recognised in profit or loss on a monthly basis after measuring the electricity provided to the customers. As the energy meters reading may not be carried out for all customers covering exactly the calendar month, the Group makes the calculation to accrue the revenue from energy supply for the period. Calculations take into account past historical data about electricity supply and demand for the short term forecasted. Revenue from sales of services is described on pages 18 and 19.

RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements of the Group (arising from EPG reclassifications) as at 31 December 2014 to conform to the presentation as at 31 December 2015. Management believes that current year presentation provides a better view of the consolidated statement of profit or loss and other comprehensive income of the Group. Reclassifications did not have any effect on the consolidated financial position and consolidated statement of cash flows for the year ended 31 December 2014.

	As previously reported Year ended 31 December 2014	Reclassification amount Year ended 31 December 2014	As reclassified Year ended 31 December 2014	Description
Service expense	(120,146)	19,011	(101,135)	EPG Dispatch and transmission and gas transportation expenses are reclassified to purchased power. Utility expense is reclassified from purchased power to service expenses.
Other operating expenses	(17,948)	(840)	(18,788)	EPG ESCO service fee and auction fee are reclassified from purchased power to other operating expenses

Purchased Power	(370,573)	(18,171)	(388,744)
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4. Adoption of New or Revised Standards and Interpretations

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

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

- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group’s financial statements.

5. New Accounting Pronouncements

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on

17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 29 July 2016 (the effective dates stated below is for IFRS in full):

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Group has not yet completed the assessment of potential impacts of the standards referred to above. The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.

According to the Group’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

6. Balances and Transactions with Related Parties

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

At 31 December 2015, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	10,425	10,530
Trade accounts receivable	13	-	107
Other current liabilities	23	2	-
Trade and other payables	22	-	48
Non-current portion of loans and borrowings	21	-	34,579
Non-current financial liabilities	18	-	5,335

The income and expense items with related parties for the year ended 31 December 2015 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services	-	-	127
Interest income	26	235	60
Other income	27	-	-
Interest expense	26	-	778
Purchased service	-	-	29

At 31 December 2014, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Current portion of issued loans	10	9,774	3,398
Trade accounts receivable	13	-	58
Other current liabilities	23	15	-
Trade and other payables	22	-	104
Non-current portion of loans and borrowings	21	-	29,398
Non-current financial liabilities	18	-	5,200

The income and expense items with related parties for the year ended 31 December 2014 were as follows:

(EUR'000)	Note	Shareholders	Entities under common control
Sale of services	-	-	114
Interest income	26	186	-
Other income	27	-	-
Interest expense	26	-	741
Purchased service	-	-	43

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

7. Property, Plant and Equipment

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

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Other fixed assets	Total
Cost or valuation						
1 January 2014	105,118	575,128	7,705	21,295	11,398	720,644
Additions	1,296	9,642	2,910	15,440	442	29,730
Transfers	171	18,332	77	(18,580)	-	-
Disposals	(437)	(1,380)	(180)	(2,244)	(58)	(4,299)
Reclassification		3,430	(3,430)			
Acquisitions through business combinations (Note 30)	23	25	3 170	-	72	3,290
Difference in rate of exchange	3,951	16,938	376	3,944	455	25,664
31 December 2014	110,122	622,115	10,628	19,855	12,309	775,029
Additions	7,999	14,889	568	24,212	515	48,183
Transfers	79	8,532	36	(8,648)	1	-
Disposals	(407)	(10,054)	(152)	(2,584)	(311)	(13,508)
Difference in rate of exchange	(10,720)	(46,258)	(1,137)	(2,973)	(1,191)	(62,279)
31 December 2015	107,073	589,224	9,943	29,862	11,323	747,425
Accumulated depreciation						
1 January 2014	(19,761)	(112,342)	(2,886)		(3,227)	(138,216)
Depreciation charge	(6,664)	(44,735)	(1,067)	-	(911)	(53,377)
Disposals	33	136	76	-	27	272
Reclassification		(22)	22	-		
Acquisitions through business combinations	(2)	(5)	(1,090)	-	(23)	(1,120)
Difference in rate of exchange	(1,050)	(3,827)	(164)	-	(78)	(5,119)
31 December 2014	(27,444)	(160,795)	(5,109)	-	(4,212)	(197,560)
Depreciation charge	(4,660)	(40,928)	(1,036)		(668)	(47,292)
Disposals	56	1,341	111	49	20	1,577
Difference in rate of exchange	2,915	11,394	498		216	15,023
31 December 2015	(29,133)	(188,988)	(5,536)	49	(4,644)	(228,252)
Net book value						
31 December 2014	82,678	461,320	5,519	19,855	8,097	577,469
31 December 2015	77,940	400,236	4,407	29,911	6,679	519,173

As of 31 December 2015 (as well as of 31 December 2014) the Group pledged property, plant and equipment as collateral to secure the loan facilities obtained from the banks. Refer to Note 21 and Note 29.

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

8. Goodwill

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

(a) EPG Goodwill

(EUR'000)	2015	2014
Gross book value at 1 January	31,063	29,457
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	31,063	29,457
Exchange differences	(4,170)	1,606
Gross book value at 31 December	26,893	31,063
Impairment loss	-	-
Carrying amount at 31 December	26,893	31,063

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

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

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

	2015	2014
Annual sales growth	4% p.a.	4% p.a.
Growth rate beyond three years	1% p.a.	4% p.a.
Pre-tax discount rate	13.54% p.a.	13.54% p.a.

(b) RH Goodwill

(EUR'000)	2015	2014
Gross book value at 1 January	21,268	20,430
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	21,268	20,430
Exchange differences	(2,389)	838
Gross book value at 31 December	18,879	21,268
Impairment loss	-	-
Carrying amount at 31 December	18,879	21,268

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

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

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

	2015	2014
Discount rate	15,5%	13%
Growth rate beyond forty years	0%	0%
Annual sales growth within the forty years	0%	0%

(c) EPB Goodwill

(EUR'000)	2015	2014
Gross book value at 1 January	24,900	24,900
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	24,900	24,900
Additional amounts recognised from business combinations occurring during the year (Note 30)		
Gross book value at 31 December	24,900	24,900
Impairment loss	-	-
Carrying amount at 31 December	24,900	24,900

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

Impairment test. For the year ended 31 December 2015 in order to assess the recoverable amount, the Group uses data on the actual market transaction carried out in an active market between a knowledgeable, willing buyer and seller of similar assets with publicly available transaction price and other data. The price achieved in the referred transaction with similar assets was adjusted in order to reflect the specifics of the CGU.

In order to determine the fair value, market comparables are used as of 31 December 2015. Considering the price of a 1 mW real deal on the local market and considering the total installed capacity acquired by EPB, the total business value of EPB is determined at EUR 93,660 thousand (Level 3 of the Fair Value measurement). This amount calculated with the market comparables supports the goodwill and no impairment was identified as of 31 December 2015.

(d) Nova Goodwill

(EUR'000)	2015	2014
Gross book value at 1 January	5,836	-
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	5,836	-
Additional amounts recognised from business combinations occurring during the year	-	5,836
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	5,836	5,836

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

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(e) Total Goodwill

(EUR'000)	1-1-2015	Acquisitions/ Disposals	Exchange differences	31-12-2015
Nova	5,836	-	-	5,836
EPG	31,063	-	(4,170)	26,893
EPB	24,900	-	-	24,900
RH	21,268	-	(2,389)	18,879
Total carrying amount of goodwill	83,067	-	(6,559)	76,508

9. Intangible Assets

(EUR'000)	Electricity generatio n licenses	Software	Customer list	Other	Total
Cost or valuation 1 January 2015	114,843	1,916	24,413	900	142,072
Additions	471	726	-	17	1,214
Disposals	-	-	-	(1)	(1)
Acquisitions through business combinations	-	-	-	-	-
Difference in rate of exchange	(11,499)	(94)	2	(98)	(11,689)
31 December 2015	103,815	2,548	24,415	818	131,596
Accumulated depreciation 1 January 2015	(10,558)	(1,161)	(5,175)	(357)	(17,251)
Depreciation charge	(2,308)	(167)	(2,397)	(142)	(5,014)
Disposals	-	-	-	1	1
Acquisitions through business combinations	-	-	-	-	-
Difference in rate of exchange	1,078	10	-	38	1,126
31 December 2015	(11,788)	(1,318)	(7,572)	(460)	(21,138)
Impairment loss recognised for power purchase agreements	-	-	(1 493)	-	(1 493)
Net Book Value 31 December 2015	92,027	1,230	15,350	358	108,965

(EUR'000)	Electricity generation licenses	Software	Customer list	Other	Total
Cost or valuation 1 January 2014	113,714	1,214	27,167	177	142,272
Additions	46	688	-	74	808
Transfers	-	-	-	-	-
Disposals	-	(2)	-	(3)	(5)
Acquisitions through business combinations	1	-	-	650	651
Difference in rate of exchange	1,082	16	-	2	1,100
Impairment loss recognised for power purchase agreements	-	-	(2,754)	-	(2,754)
31 December 2014	114,843	1,916	24,413	900	142,072
Accumulated depreciation 1 January 2014	(7,493)	(624)	(2,576)	(113)	(10,806)
Depreciation charge	(2,746)	(538)	(2,599)	(181)	(6,064)
Disposals	-	2	-	3	5
Acquisitions through business combinations	-	-	-	(97)	(97)
Difference in rate of exchange	(319)	(1)	-	31	(289)
31 December 2014	(10,558)	(1,161)	(5,175)	(357)	(17,251)
Net Book Value 31 December 2014	104,285	755	19,238	543	124,821

In 2013 an acquisition by merger took place and "VEC Energiya Holding" EAD was acquired by EPB. According to the provisions of IFRS 3 "Business Combinations", EPB assessed the distinguishable acquired assets and assumed liabilities of "VEC Energiya Holding" at their fair values at the acquisition date. On the basis of the

Notes to the Consolidated Financial Statements
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assessment carried out, the Group recognised non-current intangible assets – power purchase agreements amounting to EUR 26,631 thousand, and an electricity trading licence amounting to EUR 6,120 thousand. According to the applied accounting policy, the Group will amortise the assets for the period of the term agreements.

According to the provisions of IAS 36 at the end of each reporting period an impairment test is carried out to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, the recoverable amount and impairment loss shall be estimated for the individual asset. There were recently performed amendments in the Bulgarian legislation regulating purchase of electricity and from 01.06.2014 some of hydroelectric power plants in the group sell their production on free market. Some of the intangible assets are related to contracts for electricity sale with ceased sales. Ceasing the sale of electricity is indication that net book value of recognized intangible assets contracts for electricity sale could exceed their recoverable amounts. Based on the impairment review performed, an impairment loss amounting to EUR 1,493 thousand is recognised as of 31 December 2015 (as of 31 December 2014 - EUR 2,754 thousand).

10. Issued Loans

(EUR'000)	2015	2014
Non-current portion of issued loans:	-	-
Terestra Bulgaria	-	-
Other	-	46
Total non-current portion of issued loans	-	46
Current portion of issued loans:	-	-
Shareholders (i)	10,425	9,774
Terestra Bulgaria	1,620	309
Celveti Estates	8,910	3,089
Takedakodon	995	-
Other	325	1,290
Total current portion of issued loans	22,275	14,462
Total issued loans	22,275	14,508

Notes to the Consolidated Financial Statements
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(i) Shareholders

According to the loan agreements the Group issued loans to shareholders in the total amount of EUR 10,425 thousand

(2014: EUR 9,774 thousand).

Loan	Currency	Principal in thousands in the loan's currency 2015	Principal in thousands in the loan's currency 2014	Carrying amount in EUR 2015	Carrying amount in EUR 2014	Interest p.a.
Facility 1	USD	181	181	170	151	6M PRIBOR+2%
Facility 2	CZK	5,600	5,600	261	250	6M PRIBOR+2%
Facility 3	EUR	1,130	1,130	1,186	1,158	6M PRIBOR+2%
Facility 4	USD	1,757	1,757	1,694	1,483	6M PRIBOR+2%
Facility 5	CZK	13,826	14,250	537	526	6M PRIBOR+2%
Facility 6	USD	262	262	250	220	6M PRIBOR+2%
Facility 7	BGN	3,635	3,635	2,000	1,956	6M PRIBOR+2%
Facility 8	EUR	439	439	461	450	6M PRIBOR+2%
Facility 9	BGN	1,079	1,079	579	566	6M PRIBOR+2%
Facility 10	EUR	167	167	175	171	6M PRIBOR+2%
Facility 11	USD	1,213	1,213	1,169	1,024	6M PRIBOR+2%
Facility 12	CZK	2,600	2,400	99	88	6M PRIBOR+2%
Facility 13	EUR	144	124	144	124	6M PRIBOR+2%
Facility 14	CZK	30,747	30,747	1,193	1,136	6M PRIBOR+2%
Facility 15	CZK	12,500	12,500	485	462	6M PRIBOR+2%
Other		-	-	22	9	-
Total				10,425	9,774	

The loans should have been repaid by no later than 31 December 2015. The carrying amounts in the table above include accrued interest for the loans. The carrying amounts of the loans do not materially differ from their fair value. All loans were repaid in January 2016.

11. Non-current Financial Assets

(EUR'000)	2015	2014
Receivables from TEIAS (Turkey)	2,134	2,404
Restricted bank deposit (i)	2,238	2,369
Trade receivable	297	
Bonds (ii)	23,587	23,721
Other	-	223
Total non-current financial assets	28,256	28,717

(i) The largest volume of this amount represents a bank deposit amounting to EUR 2,238 as of 31 December 2015 which is pledged for the guarantee letters given to electricity distribution companies and to the Energy Market Regulatory Authority ("EMRA") for expropriation.

(ii) In May 2014, ENERGO-PRO Varna EOOD Group acquired 23,000 bonds with a floating rate and a nominal value of EUR 1,000, issued by Czech Property Investments a.s., payable in 2018. The interest is equal to 12M EURIBOR plus a margin of 5.5% per year. The issue of bonds was registered by the Central Depository of the Czech Republic with ISIN CZ0003511024 and name CPI VAR/18. Interest payments on the bonds take place on 26 November every year. In October 2015, the bonds were sold.

Notes to the Consolidated Financial Statements
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In December 2015, a company from the Group acquired 23,546 bonds with fixed income and a nominal value of EUR 1,000, issued by Tatry Mountain Resorts a.s., Slovak Republic, payable in 2018. The interest is fixed at 4.5% p.a. The issue of bonds was registered by the Central Depository of the Slovak Republic with ISIN SK4120009606 and name TMR I 4.50%/2018. Interest payments on the bonds take place on 17 June and 17 December every year.

As of 31 December 2014 the bonds are classified as financial assets held to maturity and carried out at amortised cost using the method of effective interest rate.

In 2015, the Group sold bonds before maturity and purchased new bonds. As of 31 December 2015 these newly purchased bonds are classified as financial assets available for sale and carried out at fair value, corresponding to the Stock Exchange price of bonds.

12. Inventories

(EUR'000)	2015	2014
Electrical equipment	2,660	1,878
Inventory related to installation of meters	539	438
Cables and wires	1,901	1,313
Tools and bolts	544	527
Meter boxes, cabinets and locks	95	90
Spare parts	656	829
Overalls and special clothes	46	62
Oil and lubricants	306	321
Poles	61	42
Prepayments for inventories	116	608
Inventory related to Paybox Installation	373	419
Scrap & Damaged Inventory	38	-
Other	1,821	1,653
Less: provision for obsolete and slow moving inventories	(1,070)	(1,215)
Total inventories	8,086	6,965

13. Trade and Other Receivables

(EUR'000)	2015	2014
Distribution to households	56,557	63,085
Distribution to commercial sector	39,497	47,438
		1,399
Distribution to public sector	-	-
Receivables from export sales	2,256	2,031
Receivables from transmission	3,938	3,436
Less: provision for impairment	(13,847)	(18,702)
Other trade receivables	3,550	1,457
Total trade receivables	91,951	100,144
Guarantee deposits	2,258	1,580
Deposits granted	8,454	25,012
Restricted cash	1,020	1,079
Total trade and other receivables	103,683	127,815

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

(EUR'000)	2015	2014
Provision for impairment at 1 January	13,204	14,682
Impairment charge	2,139	6,475
Reversal of impairment during the year	(1,213)	(1,912)
Amounts written off during the year as uncollectible	(283)	(654)
Exchange rate difference	-	111
Provision for impairment at 31 December 2015	13,847	18,702

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	2015	2014
Total neither past due not impaired	86,036	95,274
Past due but not impaired		
- less than 30 days overdue	1,928	1,048
- 31 to 90 days overdue	1,275	1,059
- 91 to 180 days overdue	650	595
- over 181 days overdue	2,063	2,169
Total past due not impaired	5,916	4,871
Past due and impaired		
- 31 to 90 days overdue	341	449
- 91 to 180 days overdue	275	301
- over 181 days overdue	13,230	17,951
Total past due and impaired	13,846	18,701
Less impairment provision	(13,847)	(18,702)
Total current trade receivables, net	91,951	100,144

14. Cash and Cash Equivalents

Cash and cash equivalents are held in CZK, BGN, GEL, USD, EUR and TRY.

(EUR'000)	2015	2014
Cash on hand	52	40
Cash with banks:		
CZK denominated	232	1,687
BGN denominated	19,257	36,322
GEL denominated	2,630	10,782
TRY denominated	2,727	1,721
USD denominated	540	77
EUR denominated	18,651	10,613
Cash in transit	-	16
Other cash and cash equivalents	1,340	11
Restricted cash (i)	(3,258)	(3,349)
Short term deposit	1,397	7,296
Total cash and cash equivalents	43,567	65,216

(i) Bank deposits amounting to EUR 2,238 of the Group are blocked in consideration of the guarantee letters given to the electricity distribution companies and to the Energy Market Regulatory Authority ("EMRA") for expropriation and are presented as part of Non-current financial assets (Note 11). The remaining part of "Restricted cash" amounting to EUR 1,020 represents blocked cash in the bank accounts as collateral presented as "Other receivables" (Note 13).

15. Other Current Assets

(EUR'000)	2015	2014
Deferred value-added tax	2,106	2,958
Advance payments	5,578	4,313
Prepaid insurance	1,875	1,168
Receivable from sale of shares	-	4,580
Impairment of other receivables	(19)	-
Contractual fine	142	-
Prepaid tax	51	-
Other	2,169	2,964
Total other current assets	11,902	15,983

16. Share Capital

The Company has one class of ordinary shares with a par value of CZK 250 thousand carrying one vote per share and a right to dividends. As of 31 December 2015 and 2014 authorised share capital consisted of 380 ordinary shares in the total amount of EUR 3,569 thousand.

As of 31 December 2015 and 2014, the shareholders pledged all shares to secure the loan facilities from the Czech Export Bank.

17. Retained Earnings

Part of retained earnings according to the statutory financial statements is available for distribution subject to the legal reserve requirement and upon the prior approval from the Czech Export Bank.

18. Non-current Financial Liabilities

(EUR'000)	2015	2014
Liability to a related party (Note 6)	5,335	5,200
Financial lease liabilities	295	66
Total non-current financial liabilities	5,630	5,266

The liability represents a liability to CH which is subordinated to the repayment of the loans obtained from the Czech Export Bank. The liability is denominated in CZK, is interest free and is repayable on 31 December 2021. The fair value of the liability is EUR 4,726 thousand (level 3 of fair value hierarchy).

19. Other Non-current Liabilities

(EUR'000)	2015	2014
Deferred income from connection fees (i)	24,545	26,477
Government grants	145	154
Other	0	3
Total other non-current liabilities	24,690	26,634

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

20. Current and Non-current Provisions**Analysis of the provisions:**

(EUR'000)	2015	2014
Non-current		
Grid access fee provision (a)	8,673	8,721
Retirement benefits (h)	1,999	1,889
Other non-current provisions (g)	120	134
Total non-current	10,792	10,744
Current		
Provision for liabilities for access to producer (e)	3,136	5,566
Legal claims (b)	20,723	16,350
Provisions for liabilities – energy effectiveness (f)	4,153	4,273
Provisions for liabilities – access for returned energy (d)	-	1,649
Provision for liabilities - reconnection fee (c)	-	1,127
Retirement benefits (h)	246	205
Other (g)	8,232	2,594
Total current	36,490	31,764
Total other provisions and accruals	47,282	42,508

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims	Reconnection fee	Returned energy	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2014	8,721	16,350	1,127	1,649	5,566	4,273	2,094	2,728	42,508
Reclassification		(90)	-	-	-	-	(13)	26	
Paid	(22)	(78)	-	-	-	-	(241)	(684)	(1,025)
Accrued	721	6,687		(1,649)	(2,386)		282	7,050	10,705
Financial expense	139		-	-	-	-	-	(62)	77
Reversed	(886)	(2,146)	(1,127)		(44)	(120)	-	(706)	(5,029)
Actuarial loss/ (profit)	-	-	-	-	-	-	123	-	123
Difference in rate of exchange	-	-	-	-	-	-	-	-	-
At 31 December 2015	8,673	20,723	-	-	3,136	4,153	2,245	8,352	47,282

(EUR'000)	Grid access fee	Legal claims	Reconnection fee	Returned energy	Access to producer	Energy effectiveness	Retirement benefits	Other	Total
At 31 December 2013	8,874	9,197	1,127	2,413	11,509	4,880	2,056	2,757	42,813
Reclassification	1	6,880		(764)	(5,943)	-	61	-235	-
Paid	(47)	(52)	-	-	-	-	(321)	(177)	(597)
Accrued	61	5,440	-	-	-	4,273	336	517	10,627
Financial expense	-	-	-	-	-	-	2	-	2
Reversed	(168)	(5,115)	-	-	-	(4,880)	-	(148)	(10,311)
Actuarial loss/ (profit)	-	-	-	-	-	-	(40)	-	(40)
Difference in rate of exchange	-	-	-	-	-	-	-	14	14
At 31 December 2014	8,721	16,350	1,127	1,649	5,566	4,273	2,094	2,728	42,508

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(a) Grid access fee provision

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

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

(b) Provision for legal claims

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

In 2014 a major supplier filed claims against the Group for allowances emitted reactive energy for the period June 2012 - September 2013, as well as the access fee for returned electricity for the period September 2012 - July 2013. The total amount of claims is BGN 7.106 thousand (EUR 3,673 thousand), including penalties for late payment at the date of submission of claims. In February 2016, court decisions are issued that are not in favour of the Group. The Group paid the due amounts in March 2016.

In 2015, a major supplier filed a claim against the Group for the cost of transportation for the period September 2012 - July 2013. The total claim is in the amount of BGN 4,618 thousand (EUR 2,361 thousand), including interest for delay until the date of filing claims.

In 2012, a counterparty of the Group filed a claim for default of obligations under agreement for connection and lost profits for the period June 2010 - July 2012, and a complaint to the Commission for Protection of Competition. The total amount of claims is BGN 5,599 thousand (EUR 2,863 thousand) and statutory interest. In October 2015, the court rejected the claim in the amount of BGN 1,137 thousand (EUR 581 thousand) being the principal and BGN 134 thousand (EUR 69 thousand) statutory interest. Since this part of the judgment is enforced, the relevant part of the provision is released in the amount of BGN 1,271 thousand (EUR 650 thousand).

The Group considers that it has sufficient financial resources to settle its obligations under provisioned lawsuits amounting to BGN 40,188 thousand (EUR 20,548 thousand).

(c) Provision for liabilities related to reconnection fee

Since 12 November 2010, there has been a fee increase for reconnection of suspended customers, which was not approved by SEWRC. The decision of SEWRC was appealed by the Group. The Decision of the Supreme Administrative Court (SAC) of 2 October 2012 confirmed the amount of the fee for reconnection of suspended customers, as defined by SEWRC. The provision for liabilities for 2012 is calculated based on the number of suspended customers up to the date of the SAC's decision. The Group expects that the fees overpaid by customers will be recovered upon a claim by customers.

The Group's management reviewed the provision as of 31 December 2015 and due to the insignificant amount claimed by the customer refunds over the past two years, it was decided to release the provision in full.

(d) Provisions for access and transmission of electricity returned

Under Article 29 of the Rules for electricity trading (the Rules), the Group shall pay to ESO price for access and to NEC - price for transmission for all the electricity received from transmission to the distribution network.

Under the provisions of Article 26, paragraph 1 and Article 29 of the Rules, the price of access and price transmission are due only for the amounts of energy released by transmission in the distribution network, which are used by the Group.

Since September 2012, NEC and ESO have started invoicing the Group for the price for access and transmission also on returned energy from distribution to the transmission network.

The calculation of the provision for the price of access and transmission on returned energy from distribution to the transmission network is based on the amount of issued invoices by NEC and ESO for the period September 2012 – July 2013.

In 2014, on the basis of a claim by ESO against the Group, the provision for access and transmission of electricity returned is transferred to the provision for liabilities related to legal claims. In February 2016, court decisions are

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issued that are not in favour of the Group. The Group paid the due amounts in March 2016. The paid amount is close to the accrued provision as of 31 December 2015.

(e) Provision for access of producers of electricity from renewable sources

With Decision of SEWRC No C 33/ 14.09.2012 and under Article 32, paragraph 4 of the Energy Act, temporary prices for access to the transmission / distribution networks have been determined for producers of electricity from renewable sources.

Based on the decision of SEWRC, since September 2012 the Group has invoiced the producers of electricity from renewable energy sources for the prices for access to the electricity network.

Producers of electricity from renewable sources appeal before the court the temporary prices set by the EWRC Decision № C 33/ 14.09.2012.

By Decision № KM-1/ 03.13.2014, SEWRC determines compensatory measures under Article 32, paragraph 4 of the Energy Act for the producers of electricity from solar or wind energy, connected to the distribution network that have not disputed EWRC Decision C 33/ 14.9.2012 or not have enforced judgments.

By Decision № C-6/ 13.03.2014, SEWRC set new prices for access to the transmission and distribution networks.

The calculation of the provision for the price of access to the distribution network is based on invoices issued by the Group to the producers of electricity from renewable sources for the period.

In 2014 and 2015 the producers of electricity from renewable sources filed claims against the Group for refunding the paid access fee. For this reason, the provision for access of producers of electricity from renewable sources is transferred to the provision for liabilities related to legal claims.

(f) Provision for energy effectiveness

The Group recognises a provision concerning the possibility of payment to the Energy Efficiency Fund. The provision is based on the best estimate of the amount of the liability as of 31 December 2014, concerning this part of the goals of saving for the current year, which is the least likely to be certified.

The calculation of the contribution due is calculated by using the reference price of electricity, accepted by EWRC, current as of 31 December 2014. The value of the obligations on energy efficiency can be influenced by the reference price, which can vary each year based on the decision of SEWRC.

In 2014 the Group wrote off the amount of the provision as of 31 December 2013, because the period from 1 January 2011 to 31 December 2013 it relates to has expired.

(g) Provision for other obligations

- Provision for penalty, determined by the Commission of the Protection of Competition

By decision of May 2013, the Commission for Protection of Competition (CPC) initiated proceedings against the Group under the Protection of Competition Act and the financial sanctions imposed in connection with the suspension of power supply to pumping stations of Vodossnabdiavane I Kanalizacia EOOD Dobrich, due to accumulated debts. The provision is charged based on the Decision of the CPC, which is appealed before the Supreme Administrative Court.

By decision of May 2015, the CPC initiated against the Group proceedings under the Protection of Competition Act and imposed a sanction in relation to unreasonably high prices for using the Low Voltage pillar grid. The provision is charged on the basis of the decision of the CPC, which is appealed before the Supreme Administrative Court.

By decision of November 2015, the CPC initiated proceedings against the Group under the Protection of Competition Act and imposed a pecuniary penalty of BGN 14,423 thousand in connection with violation of Article 21 of the CPA, resulting in abuse of a dominant and monopoly of the electricity market. Since the Group believes the amount of the penalty is excessive, it filed an appeal before the Supreme Administrative Court claiming the amount of the penalty to be reduced to BGN 8,653 thousand. The provision is charged to the claimed reduced amount of the penalty.

- Provisions for SFIA and SEWRC penalties

In February 2013, in the Group was subject to a check conducted by the State Financial Inspection Agency (SFIA) in regard to the contracts, concluded under the Public Procurement Act (PPA) The provision is charged on the basis of received four Penalty acts issued by SFIA in June 2013 that have been appealed under the Administrative Violations and Penalties Act (AVPA). As of 30 June 2014 the proceedings in appealing the penalty decrees ended in favour of the Group. In 2014 SFIA commenced a new audit in regard to contracts, concluded under the PPA. A provision in the amount of BGN 47 thousand is accrued on the basis of the received penalty decrees, issued by SFIA. As of 31 December 2015 proceedings on penalty decrees ended.

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In February and March 2014, SEWRC conducted an audit, part of which relates to the electricity meters under regulations of the Rules for Measuring the Quantity of Electricity. The provision is accrued in the amount of BGN 1,020 thousand, based on received penalty decrees, issued by SEWRC in December 2014 and handed to the Group by 31 January 2015. In 2015, the Group accrued a provision in the amount of BGN 4,660 thousand, based on received PD in 2015. As of 31 December 2015 the Group lost two lawsuits totalling BGN 40 thousand and won 33 lawsuits totalling BGN 660 thousand.

On 12 March 2014 SEWRC issued penalty decree No NP -1 (PD) to the Group in connection with an set-off performed on 30 December 2013 of obligations under invoices issued to the Group by NEC EAD for the purchase of electricity as an end supplier, with the Group's claims for unrecovered costs incurred in the performance of end suppliers' public obligations to purchase electricity at preferential prices for the period from 1 July 2012 to 30 June 2013. The Group notified promptly NEC EAD for the set-off made. PD is issued on the basis of the Act of Establishing of Administrative Violation (AEAV) No KRC 14 dated March 4, 2014. The issued penalty decree by SEWRC to the Group is for the amount of BGN 1 million.

The Group has objected to AEAU claiming that the Group has not taken any actions, which are inconsistent with the Energy Act (EA) and the current Orders for determining regulatory prices.

By decision dated 24 October 2014, the Varna District Court upheld the PD and the imposed administrative punishment. In February 2015 the last hearing was held before the Supreme Court of Appeal. The members of the Court of Cassation in the legal period decided to sustain the decision of the Varna District Court. The decision is definite. In March 2015, the penalty decree was paid.

- Provision for penalty, determined by Financial Supervision Commission (FCS)

In December 2014, the Group was handed a penalty decree by the Financial Supervision Commission in the amount of BGN 2 thousand. The penalty decree is not appealed by the Group and was paid in January 2015.

- Environmental provision

The Group provides costs of carrying out a programme to bring the oil-filled equipment and grounds in line with the requirements of legislation relating to environmental protection. The Management reviewed the provision as of 31 December 2015 and for dropping the commitment to carry out the programme costs, it was decided to release the provision in full.

- Provision for reactive energy

Under Article 7, Paragraph 1 of the Ordinance of Regulation of Prices of Electricity (the Ordinance), the Group is obligated to pay to ESO an allowance for reactive power only when it is in the mode of consumption. Since September 2012 ESO has started invoicing the Group for reactive power as well as when the company is not in the mode of consumption for the period since 1 June 2012.

The calculation of the provision for reactive power is based on the total amount of the invoices issued by ESO for the period from June 2012 to September 2013.

In 2014, on the basis of a claim by ESO, the provision for reactive power is transferred to the provision for liabilities related to legal claims. In February 2016 a court decision entered into force, which is not in favour of the Group. The Group paid the amounts awarded in March 2016. The awarded amount paid is close to the accrued provision as of 31 December 2015.

- Provision for unused paid leaves

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

- Benefits at retirement for illness

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

The principal actuarial assumptions are as follows:

	2015	2014
Discount rate	2.80%	2,83% - 3,80%
Future salary increase	0%	0%

The accompanying notes on pages 5 to 53 are an integral part of these consolidated financial statements.

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

Personnel degree of withdrawal in age groups

Age group	Degree of withdrawal
18 – 30	12.0%
31 – 40	6.0%
41 – 50	4.0%
51 – 60	2.0%
Over 60	0.0%

21. Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2015.

(EUR'000)	2015	2014
Non-Current portion of borrowings:		
Czech Export Bank (Czech Republic) (i)	302,133	350,592
Czech Hydro s.r.o. (Czech Republic) (ii)	30,714	29,398
TBC Bank (Georgia) (iii)	6,607	13,242
VTB Bank (Georgia) (iii)	1,573	799
PPF Bank (Czech Republic) (iv)	58,890	65,146
Other	-	3
Total long-term portion of borrowings	399,917	459,180
Current portion of borrowings		
Czech Export Bank (Czech Republic) (i)	79,691	62,949
Czech Hydro s.r.o. (Czech Republic) (ii)	5,930	4,152
TBC Bank (Georgia) (iii)	7,521	18
JSC Bank Republic (Georgia) (iii)	7,636	5,752
VTB Bank (Georgia) (iii)	1,334	345
PPF Bank (Czech Republic) (iv)	6,409	6,410
Banka DSK (Bulgaria) (iii)	4,880	3,364
Story Design (Czech Republic)	-	420
VIAMON s.r.o. (Czech Republic) (v)	13,412	19,037
Sloane Park Property Trust H.B	-	5,290
Celveti Estates s.r.o.	-	5
NYLAND HOLDING N.V.	-	10,000
INDOVERSE (CZECH) COAL INVESTMENTS LIMITED	-	25,588
Dolonolabské elektrárny a.s. (v)	3,865	3,678
Czech Hydro Servis a.s. (v)	343	434
Other	2	-
Total current portion of borrowings	131,023	147,442
Total borrowings	530,940	606,622

In the carrying value of the bank loans (Czech Export Bank, PPF Bank) are also included unearned financial expenses (loan insurance costs, commitment fee, front-end management fee) which decrease the carrying value in comparison with the outstanding amount of the principal in the detailed schedule below.

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Information on the non-current and current portion of borrowings is provided for each loan within paragraphs (i) to (v):

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(i) Czech Export Bank

Czech Export bank provided the financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit original currency (fully withdrawn) (EUR'000)	Credit balance 2015 (EUR'000)	Maturity Date
Facility A	Acquisition of assets of EPG (Generation)	57,974	33,236	15-Jan-21
Facility B	Acquisition of assets of EPG (Distribution)	36,668	20,948	15-Jan-21
Facility C	Working capital (EPG)	21,994	6,541	1-Jul-17
Facility D	Renovation and maintenance of assets of EPG (Generation)	33,472	17,141	31-Mar-19
Facility E	Renovation and maintenance of assets EPG (Distribution)	26,777	13,458	15-Jan-19
Facility 1	HTH Sandanski (EPB)	2,800	0	18-Oct-15
Facility 2	Petrohan Cascade (EPB)	19,879	1,776	18-Jan-17
Facility 3	Acquisition of assets of VEZ Energia Holding (EPB)	67,947	59,639	31-Aug-26
Facility T	Shares of Turkon and MNG in Resadiye Hamzali and Artvin Coruh (RH)	272,580	184,678	20-Dec-22
Total		540,091	337,417	

ENERGO-PRO Georgia signed a Term Facilities Agreement with the Czech Export Bank on 3 January 2007 which was amended on 27 June 2007, 10 June 2009, 20 December 2013 and 31 March 2016. According to Amendment No. 3 dated 20 December 2013 the applicable interest rate is 6M EURIBOR + 1.05% p.a. effective from January 2014.

The annual interest rate of Facilities 1 and 2 is EURIBOR+0.4% p.a. Facilities 1 and 2 are guaranteed by a pledge agreement on ENERGO-PRO Bulgaria's shares, receivables, cash and insurance. The maturity of each facility is disclosed in the table above. Facility 1 was fully redeemed in 2015.

On 27 September 2012 ENERGO-PRO Bulgaria entered into a new Term Facilities Agreement, No. 22547, with the Czech Export Bank (amended on 13 December 2012, 4 March 2013, 20 December 2013 and 31 March 2016). The purpose of the facility was to finance the acquisition of VEZ Energia Holding's companies (6 new HPPs) and the payment of the premium under the EGAP insurance. Maturity of the loan is specified in the table above as "Facility 3". The applicable interest rate is fixed at 4.21% p.a. The loan is guaranteed by a pledge agreement on ENERGO-PRO Bulgaria's shares, enterprise, receivables, cash and insurance.

The annual interest rate of Facility T is fixed at 4.90% p.a. Regular instalment of the principal in 2015 was decreased by the amount of EUR 17,779 thousand and rescheduled to 2016. Facility T is guaranteed by a pledge of commercial enterprise, by a pledge agreement on Resadiye Hamzali's shares, receivables, cash and insurance. The maturity of the facility is disclosed in the table above.

Facility	Purpose	Credit limit recalculate d to (EUR'000)	Credit limit original currency (USD'000)	Credit balance 2015 (EUR'000)	Credit balance 2015 (USD'000)	Maturity date
Facility F	Financing of the costs of acquisition of the Shares and costs of EGAP Insurance (EPG)	54,623	59,463	22,999	25,037	30-Dec-19
Facility G	Renovation and maintenance of the HPPs and distribution assets and costs of EGAP Insurance (EPG)	18,164	19,773	9,560	10,407	31-Dec-20
Facility H	Renovation and maintenance of the Chitakhevi and Ortachala Assets (EPG)	3,831	4,170	3,226	3,512	26-Jul-23

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Facility P	Refinancing of gPower acquisition loans (EPG)	38,860	42,303	24,622	26,802	30-Dec-20
Total		115,478	125,709	60,407	65,758	

On 22 December 2009 ENERGO-PRO Georgia signed a new Term Facilities Agreement with the Czech Export Bank which was amended on 23 December 2010, 16 September 2011, 26 June 2013, 9 July 2013, 20 December 2013 and 31 March 2016. The above stated US Dollar denominated facilities are subject of the new Term Facilities Agreement, facilities F, G, H. Facility F was provided for the financing of the costs of acquisition of the shares of the companies Satskenesi, Ortachala, Martkopi, Chitakevi, Sion Hesi and Tseri. The applicable annual interest rate is fixed and represents 5.95% p.a. Aside from the annual interest rate, ENERGO-PRO Georgia is obliged to pay an annual commitment fee and a front-end management fee according to the terms of the agreement. The purpose of Facility G was adjusted to applying towards the refinancing of costs incurred in connection with the renovation and maintenance of EPG assets in 2013. Facility H was fully utilised during 2013.

LLC gPower signed a Term Facility Agreement No. 22430 ("Facility P") with the Czech Export Bank on 25 July 2012

(amended on 20 December 2013 and 31 March 2016) in the amount of USD 42,303 thousand for the purpose of repaying loans obtained from JSC Bank of Georgia. The applicable annual interest rate is fixed and represents 4.73% p.a. The loan matures on 30 December 2020. Aside from the annual interest rate, the company was obliged to pay a loan insurance cost, which comprised USD 1,993 thousand, commitment fee, front-end management fee and other charges according to the terms of the Term Facility Agreement.

The Group has pledged all of its property, plants and equipment, cash and trade receivables as collateral to secure the loan facilities obtained from the Czech Export Bank except for the property, plant and equipment, cash and trade receivables of ENERGO-PRO Varna EOOD (subsidiaries included), ENERGO-PRO Trading EAD, Uveks Pro OOD, MEGAWATT Servis s.r.o., Nova Technology JSC, Bilsev Enerji Uretim ve Ticaret A.Ş., ENERGO-PRO GÜNEY ELEKTRİK TOPTAN SATIS İTHALAT İHRACAT VE TİCARET A.Ş., LLC Zoti and JSC Zahesi.

(ii) Czech Hydro s.r.o.

CH provided the financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit recalculated to (EUR'000)	Credit limit original currency (CZK'000)	Credit balance (EUR'000)	Credit balance (CZK'000)	Maturity Date
Facility 1	Loan for business development	27,282	737,290	30,714	830,017	31-Dec-2021
Facility 2	Loan for business development	4,181	113,000	4,360	117,842	31-Jan-2016
Facility 3	Loan for business development	1,110	30,000	1,123	30,362	30-Jun-2016
Facility 4	Loan for business development	444	12,000	447	12,073	31-Jan-2016
Total		33,017	892,290	36,644	990,294	

The loans from CH were provided without any guarantee. The loans were fully repaid in January 2016 with the consent of the Cech Export Bank.

(iii) Loans from other banks

JSC Bank Republic, TBC Bank of Georgia and Banka DSK provided financing to the Group by means of the following facilities:

Bank	Purpose	Credit limit recalculated to (EUR'000)	Credit limit original currency (GEL'000)	Credit balance (EUR'000)	Credit balance (GEL'000)	Maturity Date
TBC Bank	Operational loan	4,600	12,038	4,600	12,038	23-Dec-2016
TBC Bank	Capital investment	3,765	9,853	3,765	9,853	20-Dec-2018
TBC Bank	Capital investment	5,732	15,000	5,763	15,000	20-Dec-2018
JSC Bank Republic	Operational loan	2,501	6,545	2,501	6,545	17-Dec-2016

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		(USD '000)		(USD '000)		
JSC Bank Republic	Operational loan	5,135	5,602	5,135	5,602	17-Dec-2016
JSC VTB Bank	Capital investment	2,292	2,500	2,292	2,500	23-Apr-2018
JSC VTB Bank	Operational loan	1,137	1,240	615	1,609	29-Aug-2016
		(BGN '000)		(BGN '000)		
Banka DSK	Operational loan	10,226	20,000	4,880	9,544	27-Jun-2019

According to the loan agreement signed on 24 December 2015, JSC Energo-Pro Georgia obtained a loan from JSC TBC Bank in the amount of EUR 4,600 thousand. The annual interest rate is 6.5%. The loan matures on 23 December 2016. The loan was fully drawn on 29 December 2015. The purpose of the loan is working capital financing.

According to the loan agreement signed on 9 October 2014, JSC Energo-Pro Georgia obtained a loan from JSC TBC Bank in the amount of GEL 30,000 thousand. The annual interest rate is calculated by adding 4.25% to the annual refinance rate stated by the National Bank of Georgia. The refinance interest rate is updated in each 3-month period. The loan matures on 20 December 2018. The loan was fully drawn on 25 December 2014. The purpose of the loan is refinancing and capital investment. Despite the payment schedule, GEL 5,000 thousand was prepaid on 27 August 2015 according to the requirement of the bank. On 27 October 2015 GEL 10,000 thousand was restructured to a EUR denominated loan. The interest rate is calculated by adding annual 8% to the 6 month EURIBOR rate rounded to the nearest hundredths. The interest rate should not exceed annual 12% and should not be less than 8%.

According to the credit line agreement signed on 17 December 2015, JSC Energo-Pro Georgia obtained a loan from JSC Bank Republic in the amount of EUR 2,501 thousand. The annual interest rate is 7%. The loan matures on 17 December 2016. The purpose of the loan is working capital financing.

According to the credit line agreement signed on 17 December 2015, JSC Energo-Pro Georgia obtained a loan from JSC Bank Republic in the amount of USD 5,602 thousand. The annual interest rate is 7%. The loan matures on 17 December 2016. The purpose of the loan is working capital financing.

According to the loan agreement signed on 20 April 2015, JSC Energo-Pro Georgia obtained a loan from JSC VTB Bank in the amount of USD 2,500 thousand. The annual interest rate is calculated by adding 9% to the 6 month LIBOR rate updated in every six months period. The loan matures on 23 April 2018. The loan was fully drawn on 30 June 2015. The purpose of the loan is capital investment.

A loan from VTB Bank for Nova is denominated in the US Dollar, the maturity of this loan is within a year on 29 August 2016, and therefore the loan is classified as short-term.

The initial amount issued as a loan to the Company was USD 1,240,000 with the annual interest rate of 9.5%. The loan is covered by equal quarterly payments. The Company also has a VTB Bank Debtor Account that represents one day overdrafts taken from the banks based in order not to fall short in cash balances on bank accounts to which instant payment terminals are connected.

In June 2014 a company from the Group concluded with DSK Bank a loan agreement for refinance obligations, for issuance of bank guarantees and working capital by the BGN 16 million limit. The final due date is 27 June 2019. Every year the term of the contract shall be extended by 12 months after the loan is reviewed and an annex is signed. The interest rate is defined as 1M SOFIBOR plus a 2.25% mark-up per year. The loan is secured by a pledge on current and future receivables under commercial contracts for the supply of electricity, present and future cash on bank accounts, as well as a guarantee of ENERGO-PRO VARNA (parent company). In 2015, the limit is increased to BGN 20 million.

(iv) Loans from PPF Bank

PPF Bank Czech Republic provided financing to the Group by means of the following facilities:

Facility	Purpose	Credit limit (EUR '000)	Credit balance 2015 (EUR '000)	Maturity Date
Senior Loan	Acquisition of E.ON Bulgaria	78,632	57,955	15-Jun-2024
Mezzanine Loan	Acquisition of E.ON Bulgaria	10,000	10,000	15-Dec-2024

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Total	88,632	67,955
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In June 2012 the Group entered into a loan agreement with PPF bank in the Czech Republic amounting to EUR 78,632 thousand. The final repayment date of the loan is 15 June 2024 and the interest rate is the 6-month EURIBOR with a 3% margin per year, fixed for a period of six months.

In June 2012 the Group entered into a loan agreement with PPF bank in the Czech Republic amounting to EUR 10,000 thousand. The final repayment date of the loan is 15 December 2024 and the interest rate is the 6-month EURIBOR with a 7% margin per year, fixed for a period of six months.

The Group has pledged ENERGO-PRO Varna enterprise, shares of ENERGO-PRO Varna, shares of ENERGO-PRO Energy Services EOOD, shares of ENERGO-PRO Grid AD, shares of ENERGO-PRO Sales AD and shares of Bilsev Enerji Uretim ve Ticaret A.S. as collateral to secure the loan obtained from PPF Bank.

The Group has pledged shares, immovable and movable assets of JSC Zahesi in Georgia as collateral to secure the Mezzanine loan from PPF Bank.

(v) Loans from others

The Group was provided with the following facilities:

Creditor	Purpose	Credit limit recalculated to (EUR '000)	Credit limit original currency ('000)	Amount withdrawn (*) (EUR '000)	Maturity Date
VIAMON s.r.o.	Operational loan	11,005	CZK 297,411	13,251	31-Dec-2016
VIAMON s.r.o.	Operational loan	6,995	EUR 6,995	161	31-Dec-2015
Dolonolabské elektrárny a.s.	Operational loan	3,700	CZK 100,000	3,865	31-Dec-2015
Czech Hydro Servis a.s.	Operational loan	185	CZK 5,000	191	31-Dec-2015
Czech Hydro Servis a.s.	Operational loan	185	CZK 5,000	152	31-Dec-2015
Total		22,070		17,620	

*) Amounts included accrued interests.

According to the loan agreement signed on 9 January 2013, the Company obtained a loan from VIAMON s.r.o. in the total amount of CZK 297,411 thousand (EUR 11,005 thousand). The annual interest rate is 8.55 p.a. The loans were fully repaid in January 2016 with the consent of the Czech Export Bank.

According to the loan agreement signed on 23 December 2013, the Company obtained a loan from VIAMON s.r.o.

in the total amount of EUR 6,995 thousand. The annual interest rate is 4%. The purpose of the loan is financing of operational expenses. The loan was fully repaid in January 2016 with the consent of the Czech Export Bank.

According to the loan agreement signed on 25 March 2014, the Company obtained a loan from Dolonolabské elektrárny a.s. in the total amount of CZK 100,000 thousand (EUR 3,700 thousand). The annual interest rate is 1M PRIBOR+2.25% p.a. The loan was fully repaid in January 2016 with the consent of the Czech Export Bank.

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

22. Trade and Other Payables

(EUR'000)	2015	2014
Trade payables	65,918	69,087
Deposits	1,058	1,205
Rent payables	9	5
Other	2,799	3,340
Total trade and other payables	69,784	73,637

23. Other Current Liabilities

(EUR'000)	2015	2014
Taxes payable	5,190	1,577
Payable to personnel	4,299	4,232
Prepayments for electricity	4,654	4,923
Deferred income from connection fees	4,729	4,524
Advances received	300	825
Other liabilities	499	1,625
Total other current liabilities	19,671	17,706

24. Service Expenses

(EUR'000)	2015	2014
Dispatch and transmission	53,239	39,729
Technological losses of electricity	21,009	30,842
Professional service fees	8,815	11,552
Repairs and maintenance	4,344	4,112
Security expense	1,971	1,900
Insurance	3,777	3,291
Interconnection charges for rights	18	31
Rent expenses	2,149	2,837
Encashment fee	2,210	2,106
Other	3,534	4,735
Total services expenses	101,066	101,135

25. Other Operating Expenses

(EUR'000)	2015	2014
Business trip expenses	4,073	3,796
GNERC regulatory expense	760	638
Provision for impairment and bad debt write off (Note 13)	928	7,671
Office supplies consumed	366	315
Provision for expenses (Note 20)	5,357	(161)
Court expenses	591	1,270
Provision for impairment and bad debt write off of receivables for court cases	2,414	-
ESCO Service Fee	513	506
Export Auction Fee	413	334
Impairment loss recognised for power purchase agreements (Note 9)	1,493	-
Other	3,168	4,771
Total other operating expenses	20,076	18,788

26. Finance Costs - Net

(EUR'000)	2015	2014
Interest expense from bank borrowings	28,517	32,696
Fee from loans and other	910	1,068
Other finance costs	796	-
Net foreign exchange losses	37,961	-
Finance costs	68,184	33,764
Interest income on issued loans	(2,229)	(4,859)
Other financial income	(140)	(338)
Gain on sale of bonds	(672)	-
Net foreign exchange gains	-	(4,334)
Finance income	(3,041)	(9,531)

The accompanying notes on pages 5 to 53 are an integral part of these consolidated financial statements.

Net finance costs	65,143	24,233
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27. Other Income

(EUR'000)	2015	2014
Surplus from inventory and PPE counts	734	1,618
Income from penalties and fines	426	417
Income from insurance claims	1,452	114
Gains less losses on disposal of property, plant and equipment	140	-
Other	2,774	1,944
Total other income	5,526	4,093

28. Income Taxes**(a) Components of income tax expense**

The income tax expense comprises the following:

(EUR'000)	2015	2014
Current tax	5,400	8,888
Deferred tax	(2,935)	(1,580)
Income tax expense for the year	2,465	7,308

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

(EUR'000)	2015	2014
Profit before tax	1,239	24,465
Theoretical tax charge at statutory rate*	(1,974)	4,040
Tax rate	-159%	17%
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempted from taxation	24	(929)
- Imputed tax payables for commercial loss	1,073	317
- Non-deductible expenses	2,876	2,350
- Investment allowance used (previously unrecognised)	(121)	(132)
- Carry forward tax loss over which deferred income tax asset was not recognised	(79)	1,095
- WHT paid in other countries	16	3
- Effect of not recognised deferred tax asset	650	567
Income tax expense for the year	2,465	7,308

* The resulting income tax rate was determined as the weighted average of all EP Group entities.

(b) Deferred taxes

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

EUR'000	2015	2014
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	(1,123)	(873)
- Deferred income tax asset to be recovered within 12 months	(124)	(393)
	(1,247)	(1,266)
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	27,983	36,347
- Deferred income tax liability to be recovered within 12 months	4,545	4,193
	32,528	40,540
Net deferred income tax liabilities (net)	31,281	39,274

(c) Deferred taxes analysed by type of temporary difference

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

(EUR'000)	1-1-2015	Business combinations	Charged/ (credited) to profit or loss	Exchange differences	31-12-2015
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	(56,911)		402	6,445	(50,064)
Trade receivables	(840)		(743)	140	(1,443)
Borrowings	(858)		124	114	(620)
Other current assets	(238)		(31)	31	(238)
Other temporary differences	(472)		(1)	40	(433)
Total deferred tax liability	(59,319)		(249)	6,770	(52,798)

(EUR'000)	1-1-2015	Business combinations	Charged/ (credited) to profit or loss	Exchange differences	31-12-2015
Tax effect of deductible temporary differences					

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Inventories	130		(91)	(6)	33
Allowances for trade receivables	1,266		34		1,300
Trade and other payables	74		8	(10)	72
Deferred income	1,293	26	(280)	(1)	1,038
Provisions	4,134		553	(10)	4,677
Carry forwards tax losses	10,068	80	2,896	(1,355)	11,689
Unutilised investment incentives	2,508		(122)	(261)	2,125
Other temporary differences	572		17	(6)	583
Total deferred tax assets	20,045	106	3,015	(1,649)	21,517
Net deferred tax liability	(39,274)	106	2,766	5,121	(31,281)

The tax effects of the movements in the temporary differences for the year ended 31 December 2014 are:

(EUR'000)	1-1-2014	Business combinations	Charged/ (credited) to profit or loss	Exchange differences	31-12-2014
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	(54,370)	-	(176)	(2,364)	(56,910)
Trade receivables	(702)	-	(97)	(41)	(840)
Borrowings	(1,358)	-	554	(54)	(858)
Other current assets	(241)	-	15	(12)	(238)
Other temporary differences	(139)	-	(824)	(8)	(971)
Total deferred tax liability	(56,810)	-	(528)	(2,479)	(59,817)

(EUR'000)	1-1-2014	Business combinations	Charged/ (credited) to profit or loss	Exchange differences	31-12-2014
Tax effect of deductible temporary differences					
Inventories	84	-	45	1	130
Allowances for trade receivables	1,222	-	43	1	1,266
Trade and other payables	26	-	45	3	74
Deferred income	2,580	-	(1,286)	(1)	1,293
Provisions	4,194	-	(63)	3	4,134
Carry forwards tax losses	9,669	141	(185)	443	10,068
Unutilised investment incentives	2,046	-	375	87	2,508
Other temporary differences	511	-	562	(3)	1,070
Total deferred tax assets	20,332	141	(464)	534	20,543
Net deferred tax liability	(36,478)	141	(992)	(1,945)	(39,274)

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

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

29. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be initiated. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

EPG

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One of the litigation proceedings amounting to GEL 1,500 thousand (EUR 662 thousand) were with the Revenue Service Audit Department. The tax inspection of the Company started in May 2014 and according to the decision of 30 October 2014 the assessed amount comprised GEL 128,700 thousand including penalties and fines. This decision was disputed by the Company. In 2015 the Revenue Service Audit Department satisfied the Company's claim and decreased the amount to GEL 1,500 thousand (EUR 662 thousand).

Other litigation proceedings amounting to GEL 5,862 thousand (EUR 2,240 thousand) were with TGR ENERJI ELEKTRIK TOPTANTIC A.S. domiciled in Turkey. As of the date of preparation of these consolidated financial statements, the litigation was resolved in favour of the Company; however, the court's decision has not been executed. The Company provides for 50% of the amount under dispute.

EPV

By Decision No 01- L- 139-11, dated 19 March 2014, SEWRC adopted a decision that initiates the revoking of the licence of a company of the Group for the activity of public electricity supply. Decision No 01- L- 139-11 is issued based on AEAV No KRC 14 dated 4 March 2014. As disclosed in Note 18 (g) AEAV No KRC 14 was issued in connection with an offset of obligations committed on 30 December 2013 under invoices issued to the Group by NEK EAD for the purchase of electricity as an end supplier, with receivables for unrecovered costs incurred for performance of public obligations for the purchase of electric power under preferential prices for the period from 1 July 2012 to 30 June 2013. The Group has notified promptly NEK about the committed offset.

The Group objected to AEAV claiming that the Group has not taken any actions, which are inconsistent with the Energy Act (EA) and the current Orders for determining regulatory prices.

In 2015 and 2014 and as of the date of these financial statements, there is no movement in open proceedings for revocation of the licence of the Company.

The Management of the Group considers that the undertaken activities of the Group of setting-off liabilities under invoices issued by NEK EAD for the purchase of electricity as an end supplier, with receivables arising from non-reimbursed expenses, in connections with the Group's public liabilities to purchase electricity on preferential prices for the period from 1 July 2012 to 30 June 2013, are not against the current legal framework including the Energy Act and therefore there are no legal grounds for starting a procedure for revoking the licence of the Group for the activity "public electricity supply".

In 2015, the Group won a lawsuit led by NEC, relating to the offset of receivables of the Group under protocols for reimbursement of the cost of purchasing electricity at preferential prices with obligations on invoices for the purchase of electricity.

In view of the above, the Group's management believes that the grounds on the basis of which KEVR has opened proceedings to revoke the licence of the Company Activity "public electricity supply" ceased to exist and therefore the Group continues to apply the going concern principle.

In 2014, a major supplier filed claims against the Group claiming payment of the value of active non-invoiced electricity on quantities supplied and passed from the transmission in the distribution network during the period 1 January 2011 to 31 July 2013 and sold and unpaid electricity for the period from August 2013 to January 2014, in the amount of BGN 81.083 thousand (EUR 41,457 thousand).

In 2015, the Group won court cases for sold and unpaid electricity for the period from August 2013 to January 2014, as well as non-invoiced active power on the quantities of delivered and transferred from the transmission to the distribution network during the period from 1 January to 30 June 2011.

The final ruling of the court regarding the claim in the amount of BGN 63,291 thousand (EUR 32,360 thousand) for non-invoiced active power on the quantities of delivered and transferred from the transmission to the distribution network during the period from 1 July 2011 to 31 July 2013, is expected in 2016. Therefore, there are initiated litigations against companies within the Group at total amount BGN 63,291 thousand (EUR 32,360 thousand), as well as other claims for which the Group has accrued provisions at the amount of BGN 40,188 thousand (EUR 20,548 thousand) as disclosed in the Note 20.

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The Management believes that there is a greater possibility of a positive development, as in 2015 the Group won a legal case with the same subject for the period from 1 January 2011 to 30 June 2013.

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges.

Management believes that it has implemented internal controls to be in compliance with TP legislation.

Management of the Group has no information for any circumstances which may lead to tax payables in a significant amount.

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Assets pledged and restricted. Group has pledged shares, property, plant and equipment, cash, insurance and trade receivables of the Company, EPB, RH, gPower and EPG as collateral to secure the loan facilities obtained from the Czech Export Bank. The Group has pledged ENERGO-PRO Varna enterprise, shares of ENERGO-PRO Varna, shares of ENERGO-PRO Energy Services EOOD, shares of ENERGO-PRO Grid AD, shares of ENERGO-PRO Sales AD and shares of Bilsev Enerji Uretim ve Ticaret A.S. as collateral to secure the loan obtained from PPF Bank.

The Group has pledged shares, immovable and movable assets of JSC Zahesi Georgia as collateral to secure the Mezzanine loan from PPF Bank.

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

Contingent assets. The Group received guarantee letters amounting to EUR 1,063 thousand (TRY 3,379 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

Contingent liabilities. The Group issued guarantee letters amounting to EUR 6,327 thousand (TRY 20,105 thousand). Guarantee letters issued are mainly given to the Energy Market Regulatory Authority ("EMRA"), TEİAŞ and various electricity distribution institutions.

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

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

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

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

As of 31 December 2015 and 2014, EPG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

Operating lease. In November 2014, the Group entered into a new lease agreement for offices in Varna, which cancelled the contract, concluded in November 2012. The rental price vary in different periods. The contract is concluded until 28 November 2017 and cannot be terminated except in violation of its provisions by one of the parties.

Annual payments under this contract are as follows:

	Up to 1 year	Between 2 and 5 years
Annual rent	339	254

To secure the obligations of the renting amount, the Group issued in favour of the landlord a bank guarantee of a total value of EUR 235 thousand (2014: EUR 235 thousand).

Finance lease. According to the Energy law the Group is required to purchase measurement equipment and energy facilities, comprising elements of the transportation or distribution network, owned by individuals or legal entities (within 3 to 8 years accordingly as from the date of the law). According to the requirements of the Licence for distribution of electricity and Transmission and closing decrees of the Energy law, paragraph 3 and 4, the Group is obliged to fully purchase or renew of measurement equipment. The deadline for the purchase of energy facilities, which are owned by users expired in December 2015.

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

The Management has made an assessment of the fair value of energy facilities, which are owned by consumers, which as of 31 December 2015 amounted to BGN 26,185 thousand (EUR 13,388 thousand). The Management is unable to predict when energy facilities that are not redeemed by the end of 2015 will be purchased.

Connection commitments. As of 31 December 2015 the Group entered into connection contracts under which the other party is obliged to build the connection facilities. The Group has committed to purchase these facilities after they have been finished. The Management has made an assessment of the commitments, for which financial information is available, and as of 31 December 2015 they amounted to BGN 10,201 thousand (EUR 5,216 thousand).

30. Business Combinations

Acquisition in Georgia

On February 21, 2014 the Group acquired 100% of Nova Technology JSC with a purchase consideration of USD 10,000 thousand i.e. EUR 7,203 thousand.

(EUR'000)	21 February 2014
Total purchase consideration (paid in cash)	7,203
Less: Fair value of net assets acquired	(1,313)
Goodwill	5,890

The fair values of assets and liabilities acquired are set out below:

(EUR'000)	
Cash and cash equivalents	4,884
Trade receivables	1,959
Inventories	202
Property, plant and equipment	2,169
Intangible assets	525
Deferred tax assets	141
Trade payables	(5,566)
Other current liabilities	(342)
Bank borrowings	(2,530)
Income tax payable	(129)
Fair value of indentifiable net assets acquired	1,313
Preacquisition profit for the year	54
Goodwill	5,836
Total purchase consideration	7,203
Less: Cash and cash equivalents in subsidiaries acquired	(4,884)
Outflow of cash and cash equivalents on acquisition	2,319

31. Transactions with Non-controlling Interest

In 2014 ENERGO-PRO VARNA sold 3.14 % of share capital of ENERGO-PRO Grid AD.

In 2015 ENERGO-PRO VARNA purchased 9.93 % and subsequently sold 6.78 % of share capital of ENERGO-PRO Grid AD and purchased 16.07% of share capital of ENERGO-PRO Sales AD.

32. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk),

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credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

(EUR'000)	2015	2014
Non-current financial assets (Note 11)		
- Restricted bank deposit	2,238	2,369
Trade and other receivables (Note 13)		
- Trade receivables	103,528	127,815
Issued loans (Note 10)		
- Loans issued	22,275	14,508
Cash and cash equivalents (Note 14)		
- Bank balances payable on demand	45,348	60,150
- Short-term deposit	1,397	7,296
- Restricted cash	(3,258)	(1,191)
Total	171,528	209,868

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

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant.

In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes

in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 2015 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

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

(EUR'000)	At 31 December 2015			At 31 December 2014		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
USD *)	2,694	66,236	(63,542)	2,191	70,208	(68,017)
EUR	14,910	412,072	(397,048)	9,089	466,553	(457,464)
RON *)	1,307	60	1,247	0	0	0
TRY *)	536	0	536	0	0	0
Total	19,447	478,254	(458,807)	12,046	540,644	(528,598)

*) Denominated in EUR

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

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

(EUR'000)	At 31 December 2015	At 31 December 2014
	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 10%	(6,354)	(6,802)
US Dollar weakening by 10%	6,354	6,802
EURO strengthening by 10%	(39,716)	(46,058)
EURO weakening by 10%	39,716	46,058
RON strengthening by 10%	125	0
RON weakening by 10%	(125)	0
TRY strengthening by 10%	54	0
TRY weakening by 10%	(54)	0

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

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

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

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

The tables below show liabilities at 31 December 2015 and at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings (Note 21)	125,024	299,113	138,451	562,588
Trade and other payables (Note 22)	69,268	0	0	69,268
Other non-current financial liabilities (Note 18)	2	0	0	2
Other current liabilities	8,760	1	0	8,761
Total future payments, including future principal and interest payments	203,054	299,114	138,451	640,619

The maturity analysis of financial liabilities at 31 December 2014 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities				
Borrowings (Note 21)	168,853	339,130	241,085	749,067
Trade and other payables (Note 22)	71,961	0	139	72,100
Other non-current financial liabilities (Note 18)	66	3	5,200	5,269
Other current liabilities	6,307	0	0	6,307
Total future payments, including future principal and interest payments	247,187	339,133	246,423	832,743

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

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

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

33. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

34. Events after the Reporting Period

The shareholders of ENERGO-PRO a.s. (the parent company of the ENERGO-PRO Group) took the decision to change the shareholder structure of the Group. The former owners of ENERGO-PRO a.s., Jaromir Tesar and Jiri Krusina, divided their assets and Jaromir Tesar became the sole shareholder of the Group. The newly established holding remains active in the hydro power sector and energy sector (operation, distribution, trade, industry). After the split of the assets all activities from abroad remain with Jaromir Tesar and he stays active in the Czech Republic as an owner of two hydropower plants (HPP Litomerice in which he has a share of 67% and HPP Brandys nad Labem). On 25 January 2016, 100% of the shares of ENERGO-PRO a.s. were transferred to DK Holding Investments s.r.o, which is wholly owned by Mr Jaromir Tesar.

Notes to the Consolidated Financial Statements
Year ended 31 December 2015

On 3 June 2016, the Memorandum, signed between the Government of Georgia and the Company on construction and operation of a new high voltage double circuit line from Adjara to the Substation Muratli in Turkey, was prolonged until 31 December 2020.

In June 2016, additional loans obtained by Energo-Pro Georgia from VTB Bank in the amount of 5.3 m USD and from TBC Bank in the amount of 7.7 m EUR.

The Energo-Pro Varna Group signed a contract with a local bank for bridge financing at the amount of BGN 114,000 thousand. The loan from PPF Banka was fully repaid.

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