

## **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF MARCH 31, 2016

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 2016**

in CZK Millions

	Note	March 31, 2016	December 31, 2015
<b>Assets</b>			
Property, plant and equipment:			
Plant in service		721,725	719,633
Less accumulated depreciation and impairment		(406,140)	(399,608)
Net plant in service		315,585	320,025
Nuclear fuel, at amortized cost		12,123	12,997
Construction work in progress		90,751	88,342
Total property, plant and equipment		418,459	421,364
Other non-current assets:			
Investment in joint-ventures		9,532	9,239
Restricted financial assets		18,196	18,059
Investments and other financial assets, net		26,021	22,598
Intangible assets, net		20,230	20,164
Deferred tax assets		1,390	1,631
Total other non-current assets		75,369	71,691
Total non-current assets		493,828	493,055
Current assets:			
Cash and cash equivalents		31,930	13,482
Receivables, net		43,261	46,003
Income tax receivable		1,304	436
Materials and supplies, net		8,080	8,577
Fossil fuel stocks		885	1,554
Emission rights		2,307	3,456
Other financial assets, net		40,556	32,728
Other current assets		3,606	3,395
Total current assets		131,929	109,631
<b>Total assets</b>		<b>625,757</b>	<b>602,686</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 2016**

continued

	Note	March 31, 2016	December 31, 2015
<b>Equity and liabilities</b>			
Equity:			
Equity attributable to equity holders of the parent:			
Stated capital		53,799	53,799
Treasury shares		(4,246)	(4,246)
Retained earnings and other reserves		231,731	218,340
		<hr/>	<hr/>
Total equity attributable to equity holders of the parent		281,284	267,893
Non-controlling interests		4,354	4,262
		<hr/>	<hr/>
Total equity		285,638	272,155
Long-term liabilities:			
Long-term debt, net of current portion	6	153,738	145,575
Provisions		60,803	60,525
Deferred tax liabilities		24,382	22,053
Other long-term liabilities		8,661	8,679
		<hr/>	<hr/>
Total long-term liabilities		247,584	236,832
Current liabilities:			
Short-term loans	7	1,351	223
Current portion of long-term debt	6	11,785	11,696
Trade and other payables		58,506	58,010
Income tax payable		535	1,606
Provisions		6,771	8,219
Accrued liabilities		13,587	13,945
		<hr/>	<hr/>
Total current liabilities		92,535	93,699
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>625,757</b>	<b>602,686</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

in CZK Millions

	Note	1-3/2016	1-3/2015 *
Sales of electricity and related services		42,992	46,238
Sales of gas, coal, heat and other revenues		8,395	7,497
Other operating income		496	461
<b>Total revenues and other operating income</b>		<b>51,883</b>	<b>54,196</b>
Gains and losses from commodity derivative trading, net		1,477	(958)
Fuel		(3,555)	(3,699)
Purchased power and related services		(21,436)	(22,050)
Repairs and maintenance		(605)	(677)
Depreciation and amortization		(7,069)	(7,194)
Impairment of property, plant and equipment and intangible assets including goodwill		(2)	62
Salaries and wages		(4,358)	(4,244)
Materials and supplies		(960)	(908)
Emission rights, net		187	41
Other operating expenses		(2,595)	(2,542)
<b>Income before other income (expenses) and income taxes</b>		<b>12,967</b>	<b>12,027</b>
Interest on debt, net of capitalized interest		(557)	(813)
Interest on provisions		(373)	(422)
Interest income		76	110
Foreign exchange rate gains (losses), net		48	(393)
Other financial expenses		(391)	(100)
Other financial income		89	177
Share of profit (loss) from joint-ventures		332	(1,010)
<b>Total other income (expenses)</b>		<b>(776)</b>	<b>(2,451)</b>
<b>Income before income taxes</b>		<b>12,191</b>	<b>9,576</b>
Income taxes		(2,235)	(2,013)
<b>Net income</b>		<b>9,956</b>	<b>7,563</b>
<b>Net income attributable to:</b>			
Equity holders of the parent		9,876	7,515
Non-controlling interests		80	48
<b>Net income per share attributable to equity holders of the parent (CZK per share)</b>			
Basic		18.5	14.1
Diluted		18.5	14.1

\* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of March 31, 2015.

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**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

in CZK Millions

	Note	1-3/2016	1-3/2015 *
<b>Net income</b>		9,956	7,563
<b>Other comprehensive income - items that may be reclassified subsequently to statement of income or to assets:</b>			
Change in fair value of cash flow hedges recognized in equity		1,636	4,617
Cash flow hedges reclassified to statement of income		595	(3,140)
Change in fair value of available-for-sale financial assets recognized in equity		1,691	1,129
Available-for-sale financial assets reclassified from equity		(1)	-
Translation differences - subsidiaries		132	435
Translation differences - joint-ventures		(53)	(19)
Translation differences reclassified from equity		(67)	(1)
Share on other equity movements of joint-ventures		20	(24)
Deferred tax related to other comprehensive income	8	(441)	(342)
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		3,512	2,655
<b>Total comprehensive income, net of tax</b>		<u>13,468</u>	<u>10,218</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		13,386	10,195
Non-controlling interests		82	23

\* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of March 31, 2015.

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**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

in CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total		
December 31, 2014		53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851
Net income		-	-	-	-	-	7,515	7,515	48	7,563
Other comprehensive income		-	-	441	1,196	1,067	(24)	2,680	(25)	2,655
Total comprehensive income		-	-	441	1,196	1,067	7,491	10,195	23	10,218
Share options		-	-	-	-	7	-	7	-	7
Transfer of forfeited share options within equity		-	-	-	-	(10)	10	-	-	-
Put options held by non-controlling interest		-	-	-	-	-	2	2	(2)	-
March 31, 2015		<u>53,799</u>	<u>(4,382)</u>	<u>(6,909)</u>	<u>(6,776)</u>	<u>2,913</u>	<u>232,867</u>	<u>271,512</u>	<u>4,564</u>	<u>276,076</u>
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	4,262	272,155
Net income		-	-	-	-	-	9,876	9,876	80	9,956
Other comprehensive income		-	-	10	1,807	1,673	20	3,510	2	3,512
Total comprehensive income		-	-	10	1,807	1,673	9,896	13,386	82	13,468
Share options		-	-	-	-	6	-	6	-	6
Transfer of forfeited share options within equity		-	-	-	-	(6)	6	-	-	-
Acquisition of subsidiaries	4	-	-	-	-	-	-	-	9	9
March 31, 2016		<u>53,799</u>	<u>(4,246)</u>	<u>(9,490)</u>	<u>1,721</u>	<u>4,915</u>	<u>234,586</u>	<u>281,285</u>	<u>4,353</u>	<u>285,638</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

in CZK Millions

	Note	1-3/2016	1-3/2015 *
<b>Operating activities:</b>			
Income before income taxes		12,191	9,576
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		7,069	7,194
Amortization of nuclear fuel		955	987
Gain on non-current asset retirements, net		(37)	(63)
Foreign exchange rate losses (gains), net		(48)	393
Interest expense, interest income and dividend income, net		481	703
Provisions		(1,278)	(100)
Impairment of property, plant and equipment and intangible assets including goodwill		2	(62)
Valuation allowances and other adjustments		(223)	(268)
Share of (profit) loss from joint-ventures		(332)	1,010
Changes in assets and liabilities:			
Receivables		2,946	(1,032)
Materials, supplies and fossil fuel stocks		1,165	1,602
Receivables and payables from derivatives		(293)	2,026
Other current assets		1,971	272
Trade and other payables		(6,071)	(2,587)
Accrued liabilities		(1,162)	(2,801)
Cash generated from operations		17,336	16,850
Income taxes paid		(2,044)	(1,840)
Interest paid, net of capitalized interest		(214)	(60)
Interest received		85	135
Net cash provided by operating activities		<u>15,163</u>	<u>15,085</u>
<b>Investing activities:</b>			
Acquisition of subsidiaries and joint-ventures, net of cash acquired	4	(37)	-
Disposal of subsidiaries and joint-ventures, net of cash disposed of		-	(18)
Additions to non-current assets, including capitalized interest		(5,790)	(7,511)
Proceeds from sale of non-current assets		104	64
Loans made		-	(30)
Repayment of loans		41	45
Change in restricted financial assets		(38)	(200)
Total cash used in investing activities		<u>(5,720)</u>	<u>(7,650)</u>

\* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of March 31, 2015.

The accompanying notes are an integral part of these interim consolidated financial statements.

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

continued

	<u>Note</u>	<u>1-3/2016</u>	<u>1-3/2015 *</u>
<b>Financing activities:</b>			
Proceeds from borrowings		18,663	20,209
Payments of borrowings		(9,133)	(23,553)
Proceeds from other long-term liabilities		18	21
Payments of other long-term liabilities		(524)	(34)
Dividends paid to Company's shareholders		(35)	(23)
		<u>8,989</u>	<u>(3,380)</u>
Total cash provided by (used in) financing activities			
Net effect of currency translation in cash		<u>16</u>	<u>(103)</u>
<b>Net increase in cash and cash equivalents</b>		18,448	3,952
<b>Cash and cash equivalents at beginning of period</b>		<u>13,482</u>	<u>20,095</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>31,930</u></u>	<u><u>24,047</u></u>
<b>Supplementary cash flow information</b>			
Total cash paid for interest		596	183

\* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of March 31, 2015.

The accompanying notes are an integral part of these interim consolidated financial statements.



**CEZ GROUP**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2016**

**1. The Company**

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (70.3% of voting rights) at March 31, 2016 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas and coal mining.

**2. Summary of Significant Accounting Policies**

**2.1. Financial Statements**

The interim consolidated financial statements for the three months ended March 31, 2016 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2015.

**2.2. Changes in Accounting Policies**

**a. Adoption of New IFRS Standards in 2016**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2016:

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in joint operation
- Annual Improvements to IFRSs 2010 - 2012
- Annual Improvements to IFRSs 2012 - 2014

The impact of the adoption of standards or interpretations (or their annual improvements respectively) on the financial statements or performance of the Group is described below:

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the balance sheet may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint-ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments did not have a significant impact to the Group, but will assist in applying judgment when meeting the presentation and disclosure requirements.

#### Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 are intended to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments did not have a significant impact on Group's financial statements.

#### Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint-ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments do not have any impact on the Group's financial statements.

#### Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in joint operation

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective. These amendments will affect eventual future relevant transactions.

#### Annual Improvements to IFRSs 2010 - 2012

In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

The annual improvements had no significant impact on the Group's financial statements.

#### Annual Improvements to IFRSs 2012 - 2014

In September 2014 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

The annual improvements had no significant impact on the Group's financial statements.

## b. Changes in the Presentation of the Financial Statements

The way of presentation of the financial statements was changed in the consolidated financial statements as of December 31, 2015. The main goal of the changes was to enhance relevancy of information contained on the face of the financial statements and reflect the developments in the best practice of financial reporting in the industry with regard to all IFRS requirements. As a result, reclassifications for the prior period have been made to provide fully comparative information on the same basis. The following table summarizes the effect of reclassifications on prior period presented (in CZK millions):

	Reclassifications 1-3/2015
<b>Consolidated statement of income:</b>	
Gains and losses from electricity, coal and gas derivative trading, net <sup>1)</sup>	958
Sales of gas, coal, heat and other revenues	(229)
Other operating income	461
Total revenues and other operating income	1,190
Gains and losses from commodity derivative trading, net <sup>1)</sup>	(958)
Purchased power and related services	65
Other operating expenses	(297)
Income before other income (expenses) and income taxes	-
Other income (expenses), net	(77)
Other financial expenses	(100)
Other financial income	177
Total other income (expenses)	-
Net income	-
EBITDA	-
<b>Consolidated statement of comprehensive income:</b>	
Translation differences	(416)
Translation differences - subsidiaries	435
Translation differences - joint-ventures	(19)
Other comprehensive income, net of tax	-
Total comprehensive income, net of tax	-
<b>Consolidated statement of cash flows:</b>	
Net cash provided by operating activities	(15)
Total cash used in financing activities	15
Net increase in cash and cash equivalents	-

<sup>1)</sup> The headline of the line Gains and losses from commodity derivative trading, net was changed (formerly Gains and losses from electricity, coal and gas derivative trading, net). This line is not presented as part of Total revenues and other operating income.

## 3. Seasonality of Operations

The seasonality within the segments Generation - Traditional Energy, Generation - New Energy, Distribution and Sales usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

#### 4. Changes in the Group Structure

##### Acquisitions of subsidiaries from third parties in the first three months of 2016

On March 7, 2016 the Group acquired a 100% interest in ČEZ Solární, s.r.o. which constructs photovoltaic power plants.

On January 6, 2016 the Group acquired a 26% interest in ENESA a.s. Total interest in ENESA is 75 % since this date. ENESA specializes in complex solutions for energy savings in public buildings and industrial plants.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	<u>ČEZ Solární</u>	<u>ENESA</u>
Share of the Group	100%	75 %
Property, plant and equipment	4	14
Deferred tax assets	2	-
Materials and supplies, net	17	29
Receivables, net	7	27
Cash and cash equivalents	10	5
Long-term debt, net of current portion	(1)	-
Current portion of long-term debt	(1)	-
Trade and other payables	(2)	(39)
Accrued liabilities	(3)	-
	<hr/>	<hr/>
Total net assets	33	36
Share of net assets acquired	33	27
Goodwill	3	6
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Total purchase consideration	36	33
Less:		
Cash and cash equivalents in the subsidiary acquired	(10)	(5)
Interest acquired in previous periods	-	(17)
	<hr/>	<hr/>
Cash outflow on acquisition of the subsidiary	<u>26</u>	<u>11</u>

If the combination of ČEZ Solární, s.r.o. had taken place at the beginning of the year 2016, net income for CEZ Group as of March 31, 2016 would have been CZK 9,964 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

## 5. Investments in Subsidiaries and Joint-ventures

The interim consolidated financial statements include the financial figures of ČEZ, a. s. and the subsidiaries and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Areál Třeboradice, a.s.	Czech Republic	95.00%	95.00%	95.00%	95.00%
A.E. Wind S.A. <sup>1)</sup>	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green Construction sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VI sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VII sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VIII sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Bara Group EOOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Bulgarian Investments B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzów S.A.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ ICT Bulgaria EAD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Towarowy Dom Maklerski sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine LLC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%

<sup>1)</sup> In 2016 the company A.E. Wind S.A changed its legal form to a joint-stock company and was renamed to A.E. Wind S.A.

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ESCO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Inženýring, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Nová energetika, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Recyklace, s.r.o.	Czech Republic	99.00 %	99.00 %	99.00 %	99.00 %
ČEZ Solární, s.r.o. <sup>2)</sup>	Czech Republic	100.00%	-	100.00%	-
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Eco-Wind Construction S.A.	Poland	100.00%	100.00%	100.00%	100.00%
EGP INVEST, spol. s r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
Elektrárna Dětmorovice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Dukovany II., a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Mělník III, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počeradý, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Temelín II., a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energocentrum Vítkovice, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ENESA a.s. <sup>3)</sup>	Czech Republic	75.00%	49.00%	75.00%	49.00%
EVČ s.r.o.	Czech Republic	75.00%	75.00%	75.00%	75.00%
Farma Wiatrowa Leśce sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Mega Energy sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Revitrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Taidana Limited <sup>4)</sup>	Cyprus	-	100.00%	-	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Telco Pro Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%

<sup>2)</sup> The Group acquired the interest in ČEZ Solární, s.r.o. in 2016.

<sup>3)</sup> The Group increased the ownership interest the interest in ENESA a.s. to 75% in 2016.

<sup>4)</sup> The company was liquidated on February 6, 2016.

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
TMK Hydroenergy Power S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Tomis Team S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

  

Joint-ventures	Country of incorporation	% equity interest		% voting interest	
		March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
ČEZ Energo, s.r.o.	Czech Republic	50.10%	50.10%	50.10%	50.10%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o. <sup>5)</sup>	Slovakia	-	49.00%	-	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	51.05%	51.05%
Sakarya Elektrik Dagitim A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Perakende Satis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.

<sup>5)</sup> The company merged with the succession company Jadrová energetická spoločnosť Slovenska, a. s.

## 6. Long-term Debt

Long-term debt at March 31, 2016 and December 31, 2015 is as follows (in CZK millions):

	March 31, 2016	December 31, 2015
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,530	2,466
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,688	1,645
5.000% Eurobonds, due 2021 (EUR 750 million)	20,229	20,203
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,348	1,347
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,202	1,198
3M Euribor + 0.55% Eurobonds, due 2018 (EUR 220 million)	5,394	-
4.875% Eurobonds, due 2025 (EUR 750 million)	20,212	20,188
4.500% Eurobonds, due 2020 (EUR 750 million)	20,170	20,140
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,433	2,372
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million)	9,190	9,176
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) <sup>1)</sup>	2,706	2,702
4.102% Eurobonds, due 2021 (EUR 50 million)	1,349	1,347
4.250% U.S. bonds, due 2022 (USD 289 million)	6,808	7,111
5.625% U.S. bonds, due 2042 (USD 300 million)	7,052	7,368
4.375% Eurobonds, due 2042 (EUR 50 million)	1,326	1,325
4.500% Eurobonds, due 2047 (EUR 50 million)	1,326	1,325
4.383% Eurobonds, due 2047 (EUR 80 million)	2,164	2,162
3.000% Eurobonds, due 2028 (EUR 500 million)	13,343	13,325
4.500% registered bonds, due 2030 (EUR 40 million)	1,061	1,060
4.750% registered bonds, due 2023 (EUR 40 million)	1,072	1,070
4.700% registered bonds, due 2032 (EUR 40 million)	1,076	1,075
4.270% registered bonds, due 2047 (EUR 61 million)	1,623	1,621
3.550% registered bonds, due 2038 (EUR 30 million)	808	807
Exchangeable bonds, due 2017 (EUR 470.2 million) <sup>2)</sup>	12,475	12,420
	<hr/>	<hr/>
Total bonds and debentures	139,833	134,701
Less: Current portion	(9,190)	(9,176)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	130,643	125,525
Long-term bank and other loans:		
Total long-term bank and other loans	25,690	22,570
Less: Current portion	(2,595)	(2,520)
	<hr/>	<hr/>
Long-term bank and other loans, net of current portion	23,095	20,050
Total long-term debt	165,523	157,271
Less: Current portion	(11,785)	(11,696)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>153,738</u>	<u>145,575</u>

<sup>1)</sup> The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p. a.

<sup>2)</sup> Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC. The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43% p. a.



## 7. Short-term Loans

Short-term loans at March 31, 2016 and December 31, 2015 are as follows (in CZK millions):

	March 31, 2016	December 31, 2015
Short-term bank loans	847	40
Bank overdrafts	504	183
Total	<u>1,351</u>	<u>223</u>

## 8. Income Taxes

Tax effects relating to each component of other comprehensive income are the following (in CZK millions):

	1-3/2016			1-3/2015		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	1,636	(311)	1,325	4,617	(877)	3,740
Cash flow hedges reclassified to statement of income	595	(113)	482	(3,140)	596	(2,544)
Change in fair value of available-for-sale financial assets recognized in equity	1,691	(17)	1,674	1,129	(61)	1,068
Available-for-sale financial assets reclassified from equity	(1)	-	(1)	-	-	-
Translation differences - subsidiaries	132	-	132	435	-	435
Translation differences - joint-ventures	(53)	-	(53)	(19)	-	(19)
Translation differences reclassified from equity	(67)	-	(67)	(1)	-	(1)
Share on other equity movements of joint-ventures	20	-	20	(24)	-	(24)
Total	<u>3,953</u>	<u>(441)</u>	<u>3,512</u>	<u>2,997</u>	<u>(342)</u>	<u>2,655</u>

## 9. Segment Information

The Group reports its result based on operating segments which are defined especially with respect to the nature of the products and services and with regard to regulatory environment. The Group has identified six reportable segments on this basis:

- Generation - Traditional Energy
- Generation - New Energy
- Distribution
- Sales
- Mining
- Other

This definition of the operating segments is a result of organizational changes in corporate governance of the Group which have been made effective since January 1, 2016. The segments are defined across the countries that CEZ Group operates in now. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain in the energy sector and is within the purview of individual members of the ČEZ, a. s. Board of Directors. The segment information for previous periods of the year 2015 has been adjusted to provide fully comparative information on the same basis.

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

The Group evaluates the performance of its segments based on earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	<u>1-3/2016</u>	<u>1-3/2015</u>
Income before other income (expenses) and income taxes (EBIT)	12,967	12,027
Depreciation and amortization	7,069	7,194
Impairment of plant, property and equipment and intangible assets including goodwill	2	(62)
Gains and losses on sale of property, plant and equipment *	<u>(27)</u>	<u>(20)</u>
EBITDA	<u><u>20,011</u></u>	<u><u>19,139</u></u>

\* Gains on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating income. Losses on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating expenses.

The following tables summarize segment information by operating segments for the three months ended March 31, 2016 and 2015 and at December 31, 2015 (in CZK millions):

March 31, 2016:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income - other than intersegment	13,583	779	7,220	28,624	1,161	516	51,883	-	51,883
Revenues and other operating income - intersegment	9,070	218	8,223	1,421	1,332	3,397	23,661	(23,661)	-
Total revenues and other operating income	22,653	997	15,443	30,045	2,493	3,913	75,544	(23,661)	51,883
EBITDA	10,047	937	5,282	1,887	1,244	612	20,009	2	20,011
Depreciation and amortization	(4,150)	(373)	(1,477)	(10)	(610)	(449)	(7,069)	-	(7,069)
Impairment of property, plant and equipment and intangible assets including goodwill	2	-	(4)	-	-	-	(2)	-	(2)
EBIT	5,897	563	3,805	1,877	635	188	12,965	2	12,967
Interest on debt and provisions	(819)	(103)	(91)	(2)	(48)	(87)	(1,150)	220	(930)
Interest income	234	-	11	3	3	45	296	(220)	76
Share of profit (loss) from joint-ventures	237	22	34	32	1	6	332	-	332
Income taxes	(952)	(71)	(701)	(341)	(121)	(49)	(2,235)	-	(2,235)
Net income	4,263	656	3,051	1,567	499	(80)	9,956		9,956
Identifiable assets	254,079	28,041	106,255	518	20,974	9,647	419,514	(1,055)	418,459
Investment in joint-ventures	3,053	548	1,107	193	186	4,445	9,532	-	9,532
Unallocated assets									197,766
Total assets									625,757
Capital expenditure	2,501	(14)	1,548	3	101	1,380	5,519	(1,098)	4,421

March 31, 2015:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income - other than intersegment	14,966	790	7,593	29,377	1,105	365	54,196	-	54,196
Revenues and other operating income - intersegment	10,266	266	8,506	1,744	1,268	3,915	25,965	(25,965)	-
Total revenues and other operating income	25,232	1,056	16,099	31,121	2,373	4,280	80,161	(25,965)	54,196
EBITDA	10,106	581	5,036	1,527	1,188	700	19,138	1	19,139
Depreciation and amortization	(4,131)	(488)	(1,457)	(8)	(597)	(513)	(7,194)	-	(7,194)
Impairment of property, plant and equipment and intangible assets including goodwill	-	61	1	-	-	-	62	-	62
EBIT	5,975	154	3,589	1,519	592	197	12,026	1	12,027
Interest on debt and provisions	(1,135)	(141)	(96)	-	(51)	(54)	(1,477)	242	(1,235)
Interest income	263	1	13	2	4	69	352	(242)	110
Share of profit (loss) from joint-ventures	(752)	21	9	113	2	(403)	(1,010)	-	(1,010)
Income taxes	(877)	(61)	(621)	(289)	(110)	(55)	(2,013)	-	(2,013)
Net income	2,777	312	2,887	1,344	467	(224)	7,563	-	7,563
Capital expenditure	3,835	119	1,657	4	59	1,987	7,661	(1,339)	6,322
December 31, 2015:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Identifiable assets	256,633	28,212	105,982	367	21,480	9,754	422,428	(1,064)	421,364
Investment in joint-ventures	2,835	527	1,066	388	184	4,239	9,239	-	9,239
Unallocated assets									172,083
Total assets									602,686