Half-year Report

2017

CEZ GROUP

CEZ Group's Profile

Headquartered in Czechia, CEZ Group is an integrated energy conglomerate with operations in a number of Western, Central, and Southeastern European countries and Turkey. Its core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. It also offers its customers technological solutions in the field of energy services. CEZ Group companies employ almost 27,000 people.

The largest shareholder of its parent company, ČEZ, is the Czech Republic with a nearly 70% stake in the Company's stated capital (as at June 14, 2017). ČEZ, a. s. shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole; its goal is to bring innovations for resolving energy needs and to help improve the quality of life. CEZ Group's strategy is based on three priorities. CEZ Group wants to operate its power assets as efficiently as possible and adapt to the growing share of decentralized and zero-emission generation. Its second priority is to offer its customers a wide range of products and services in synergy with the sale of electricity and gas. Its third priority is to invest actively in promising energy assets with a focus on the European region and in support for advanced technologies in an early stage of development.

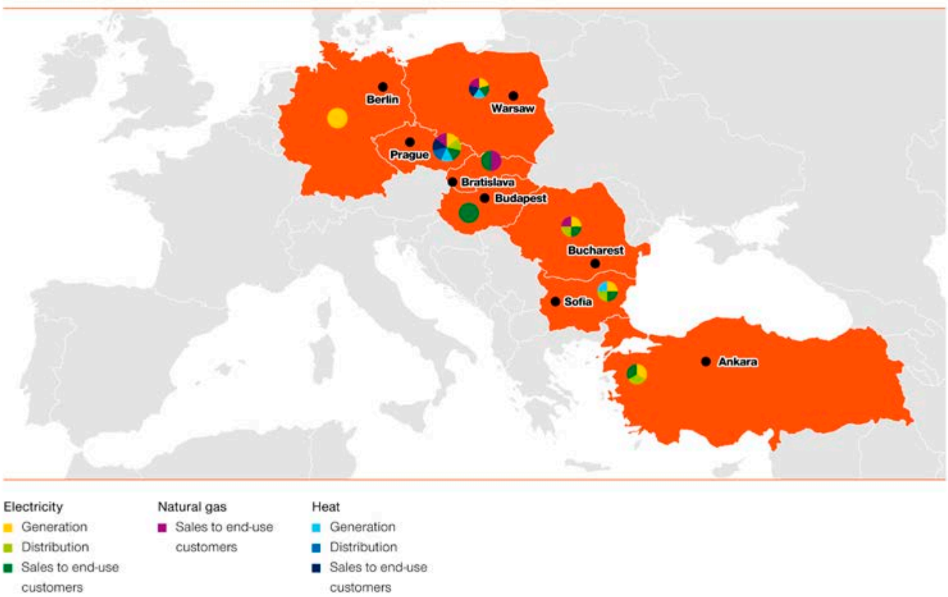
CEZ Group companies in Czechia extract and sell coal, generate and distribute electricity and heat, and trade in electricity, natural gas and other commodities. They also offer end-use customers technologies for electricity generation and storage and provide them with comprehensive energy services and solutions. Their generation portfolio consists of nuclear, coal-fired, gas-fired, hydroelectric, photovoltaic, wind, and biogas facilities.

CEZ Group's activities abroad consist primarily of electricity distribution, generation, trading, and sale. CEZ Group is the owner or co-owner of generation and distribution assets and projects in Poland, Romania, Bulgaria, Germany, France, and Turkey. CEZ Group's subsidiaries in the Netherlands are ownership intermediaries and companies providing financing.

CEZ Group trades in electricity and other commodities on wholesale markets in a number of European countries. Besides in Czechia, CEZ Group sells electricity or natural gas to end-use customers in Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and support for innovation in order to increase CEZ Group's value.

CEZ Group's Presence in the Energy Sector by Territory



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Statutory Declaration of Persons Responsible for the CEZ Group Half-Year Report

With the use of all reasonable care, to the best of our knowledge the consolidated half-year report provides a true and fair view of the financial standing, business activities, and results of operations of the issuer and its consolidated group for the first half of 2017 and of the outlook for the future development of the financial standing, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Prague, August 28, 2017

Daniel Beneš
Chairman of the Board of Directors, ČEZ, a. s.

Martin Novák
Vice-Chairman of the Board of Directors, ČEZ, a. s.

Selected Indicators of CEZ Group

Selected Indicators of CEZ Group in Accordance with IFRS

	Unit	H1 2016	H1 2017	2017/2016 Index (%)
Installed capacity at June 30	MW	15,920	15,430	96.9
Electricity generated (gross)	GWh	31,804	31,816	100.0
Electricity sold [1]	GWh	18,561	18,897	101.8
Heat sold [1]	TJ	13,431	13,737	102.3
Gas sold [1]	GWh	4,223	5,407	128.0
Workforce headcount at June 30	Persons	26,080	26,949	103.3
Operating revenues	CZK millions	98,903	100,883	102.0
of which: sales of electricity and related services	CZK millions	84,654	84,614	100.0
EBITDA	CZK millions	33,098	31,311	94.6
EBIT	CZK millions	17,998	17,241	95.8
Net income	CZK millions	13,797	16,658	120.7
Adjusted net income [2]	CZK millions	14,770	16,953	114.8
Earnings per share–basic	CZK / share	25.5	30.5	119.6
Dividend per ČEZ, a. s. share (gross) [3]	CZK / share	40.0	33.0	82.5
Net cash provided by operating activities	CZK millions	25,893	23,597	91.1
Capital expenditures (CAPEX) [4]	CZK millions	(13,268)	(11,913)	89.8
Investments [5]	CZK millions	(42)	(95)	226.2
Total assets	CZK millions	630,841 [7]	592,588	93.9
of which: property, plant, and equipment [6]	CZK millions	426,895 [7]	420,544	98.5
Equity (including noncontrolling interests)	CZK millions	261,360 [7]	257,335	98.5
Net debt [2]	CZK millions	124,418	119,398	96.0
Return on Equity, net (ROE) [2]	%	7.3	6.6	90.4
Net debt / EBITDA [2]	1	1.99	2.12	106.5

[1] Sold to end-use customers (outside CEZ Group).
[2] Definition on page 68.
[3] Aw arded in a given year to be paid out of the previous year's income.
[4] Additions to property, plant, and equipment and intangibles.
[5] Acquisitions of subsidiaries and joint ventures, net of cash acquired (in these aquisitions).
[6] Property, plant, and equipment, including nuclear fuel and construction w ork in progress.
[7] At December 31, 2016

Credit Rating

The credit ratings of ČEZ, a. s. remained unchanged in H1 2017.

On December 15, 2016, Standard & Poor's Credit Market Services Europe Limited reaffirmed ČEZ's long-term credit rating of A– with a stable outlook. On May 12, 2017, Moody's Investors Service Ltd. updated its Credit Opinion on ČEZ with an unchanged long-term credit rating of Baa1 with a stable outlook.

Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council. When selecting credit rating agencies, ČEZ complies with Article 8d of the above-mentioned Regulation.

Shares

The shares of five companies within the CEZ Group are publicly traded.

1) ČEZ, a. s.

As at June 30, 2016, the total stated capital of ČEZ, a. s. was CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100.

Structure of Shareholders—by Entity Type (%)

	Share in Stated Capital	Share in Voting Rights	Share in Stated Capital	Share in Voting Rights
	At May 27, 2016 [1]		At June 14, 2017 [2]	
Legal entities, total	**90.26**	**90.19**	**89.83**	**89.76**
of which: Czech Republic	69.78	70.27	69.78	70.27
ČEZ, a. s.	0.7	-	0.70	-
Other legal entities	19.78	19.92	19.35	19.49
Private individuals, total	**9.74**	**9.81**	**10.17**	**10.24**

[1] Date of record for participation in the 24th Annual Shareholders' Meeting.

[2] Date record for participation in the 25th Annual Shareholders' Meeting.

Entities Holding at Least 1% of the Shares of ČEZ, a. s. as at June 14, 2017

Entities holding a share amounting to at least 1% of the stated capital of ČEZ, a. s., as registered in the Central Securities Depository as at June 14, 2017, were:

- Czech Republic, represented by the Ministry of Finance of the Czech Republic, holding a share amounting in total to 69.78% of the stated capital, i.e., 70.27% of voting rights
- Clearstream Banking, s.a., holding a share amounting to 2.67% of the stated capital, i.e., 2.69% of voting rights
- State Street Bank and Trust Co., holding a share amounting to 1.56% of the stated capital, i.e., 1.57% of voting rights
- Nortrust Nominees Limited, holding a share amounting to 1.28% of the stated capital, i.e., 1.29% of voting rights
- Chase Nominees Limited, holding a share amounting to 1.19% of the stated capital, i.e., 1.20% of voting rights
- Brown Brothers Co., holding a share amounting to 1.12% of the stated capital, i.e., 1.13% of voting rights

On June 19, 2017, Barclays Bank Plc. delivered a notice of its share in voting rights pursuant to Section 122(1) of the Capital Market Undertakings Act. According to the notice, its share of voting rights is 1.172%.

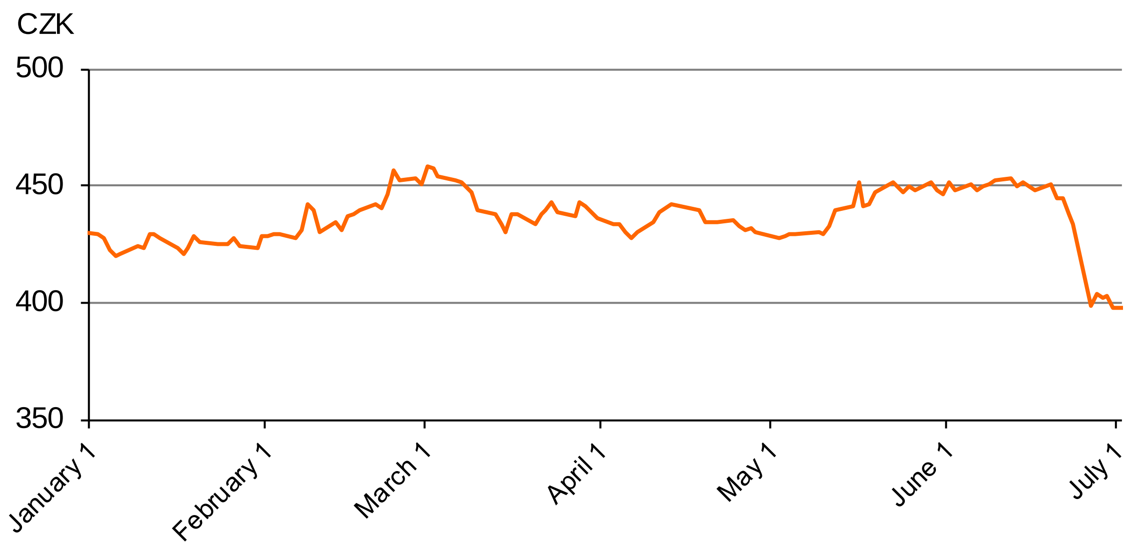
These entities have rights pursuant to Section 365 et seq. of the Business Corporations Act. It cannot be excluded that some of the aforementioned entities manage shares owned by third parties.

Treasury Shares

To cover claims arising out of the Company's stock option plan, 3,755,021 treasury shares, representing 0.70% of the stated capital, were held on the asset account of ČEZ, a. s. with the Central Securities Depository at the beginning of 2017.

No stock option plan beneficiary exercised their option to buy shares of ČEZ, a. s. during H1 2017, so the number of treasury shares remained unchanged at June 30, 2017.

ČEZ, a. s. Share Prices in H1 2017



The share price was CZK 429 at the beginning of 2017, reaching a half-year low of CZK 398 on June 30, 2017, a half-year high of CZK 458 on March 1, 2017, and closing the half-year at CZK 398.

Payment of Dividends to Shareholders

The annual shareholders' meeting held on June 21, 2017, decided to pay a dividend of CZK 33 per share before tax. The share in profits awarded to the shareholders of ČEZ, a. s. is CZK 17,753,662 thousand in total, of which CZK 17,629,746 thousand is to be paid out, representing 89.76% of the adjusted consolidated net income and 120.96% of the consolidated net income. The dividend on treasury shares held by the Company at the record date, i.e., the difference between the above amounts, was transferred to the retained earnings account. Entities that were shareholders of ČEZ at the record date, i.e. June 27, 2017, are entitled to the dividend.

The dividend for 2016 becomes payable on August 1, 2017 and can be claimed until July 30, 2021.

2) ČEZ OZ uzavřený investiční fond a.s.

The company's shares were admitted to trading on the Prague Stock Exchange's regulated market with effect from December 31, 2015. Their ISIN is CZ0008041787. An issue of 5,310,498 shares, i.e., 15% of the total number of the company's shares, was admitted to trading. ČEZ, a. s. holds a 99.6% stake in the company; other shareholders are ČEZ Obnovitelné zdroje, s.r.o. with a 0.4% stake and ČEZ Korporátní služby, s.r.o. with a 0.02% stake in the company's capital. There was no change in the structure of shareholders in the first half of 2017.

3) Akenerji Elektrik Üretim A.S.

A portion of shares representing a 25.3% share in the company's capital has been traded on the Istanbul stock exchange since July 3, 2000. Their ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ held a 37.4% stake in the company's capital as at June 30, 2017.

4) CEZ Elektro Bulgaria AD

The company's shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100024113. The shares are not traded on any other public markets. As at June 30, 2017, ČEZ held a 67% share and the second largest shareholder, the Chimimport group, held a 26.7% share in the company's capital.

5) CEZ Razpredelenie Bulgaria AD

The company’s shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100025110. The shares are not traded on any other public markets. As at June 30, 2017, ČEZ held a 67% share and the second largest shareholder, the Doverie group, held an 11.16% share in the company’s capital.

Selected Events in H1 2017

January

- Transfer of shares in Tisová Power Plant from ČEZ to Sokolovská uhelná (SU) under an agreement between ČEZ and SU, which resulted in a new contract for coal deliveries until 2025, an agreement resolving all long-term trade disputes, sale of Tisová Power Plant to SU, and termination of all ongoing lawsuits and legal proceedings.
- Rebranding of CEZ Distributie as of January 3; the Romanian distribution company was renamed to Distributie Energie Oltenia S.A. and uses a new Distributie Oltenia logo.

February

- Launch of a battery system rental service, renting battery systems made by sonnen to end-use customers in Czechia.

March

- Merger of the New Energy division and the External Relations and Regulation division into a newly established division named New Energy and Distribution as of March 1.
- Rules governing support for renewable electricity generation, increasing the transparency of the whole RES support system, entered into effect in Romania on March 31.

April

- Completion of a review of the Dukovany Nuclear Power Plant, the fourth of its kind, by WANO's international mission experts, which identified 9 areas for improvement and 2 good practices transferable to other power plants.
- Settlement of the sale of a block of shares in Hungarian company MOL and the early redemption of convertible bonds, ending almost ten-year holding of 7.5% of the company's shares, with a total positive cash-flow balance of CZK 3.4 billion for CEZ Group (the sale of shares not sold in the block sale was completed in May).

May

- The Supervisory Board of ČEZ, a. s. refused to give its prior consent to the Board of Directors' proposal to sell Elektrárna Počerady, a.s.
- Decision to create a separate Nuclear Power division as of June 1; Bohdan Zronek, previously the director of the Temelín NPP and a new member of the Board of Directors of ČEZ, a. s. since May 18, became head of the new division. The organizational units of Temelín NPP, Dukovany NPP, and relevant central functions will be transferred from the existing Generation division to the new Nuclear Power division as of September 1 and the purview of the new division will include ČEZ Energoservis, ÚJV Řež, and other relevant subsidiaries. The new Nuclear Power division will also be responsible for preparing new nuclear units at Dukovany and Temelín.
- On May 14–23, ČEZ successfully underwent the first WANO Corporate Mission, which reviewed corporate processes especially in headquarters management and administration, performance promotion, communication, and human resources. The mission acknowledged 2 good practices and recommended 2 areas for improvement.
- A minority share was acquired in Saxon company CLOUD & HEAT Technologies GmbH through Inven Capital.

June

- The 25th annual shareholders' meeting was held, which approved a dividend of CZK 33 per share, among other things.
- Signing of an acquisition of 14 operated wind turbines with a total installed capacity of 35.4 MW at Lettweiler Höhe, Germany.
- Entry into the French market in renewable energy sources by acquiring development projects for 9 wind parks with a planned capacity of up to 101.8 MW. Connection to the grid and the first revenues are expected in 2019–2022.
- Completion of a sale of residential property in Prague-Písnice for CZK 1.3 billion.

Selected Events Until the Closing Date for the Half-Year Report

July

- SÚJB's decision granting an operating license for an unlimited period of time for Unit 2 of the Dukovany Nuclear Power Plant came into effect on July 11.
- Construction of CEZ Group's new data center, planned to be put into operation in 2019, was started at the site of the former Tušimice I power plant.
- Entry into the German ESCO market by acquiring Elevion, a successful company that is one of the largest providers of comprehensive energy services in Germany (specializing in the installations, modernizations, and reconstructions of energy facilities in commercial and industrial buildings). The company's annual sales are about CZK 8 billion. It employs over 1,800 people.

August

- Binding offers for ČEZ assets in Bulgaria were received from several parties; the offers are being evaluated.

Developments in Relevant Energy Markets

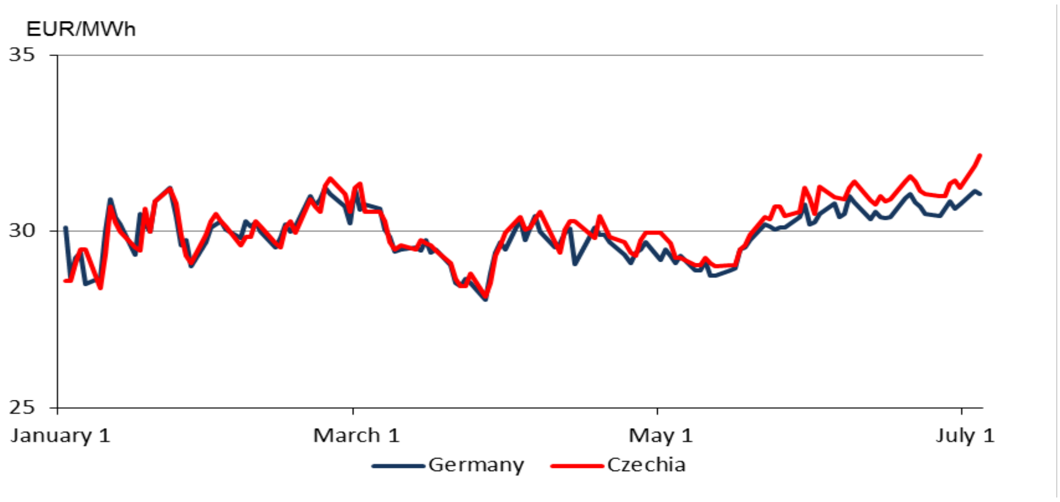
Wholesale prices of electricity in Czechia derive from prices in Germany due to the close interconnection of these two markets. Electricity prices are influenced by the following factors in particular:

- Commodity prices determining variable generation costs, namely the prices of coal, natural gas, and emission allowances
- Macroeconomic developments, which affect the level of demand for electricity
- Changes in the volume and structure of generation capacities in Europe, especially renewables

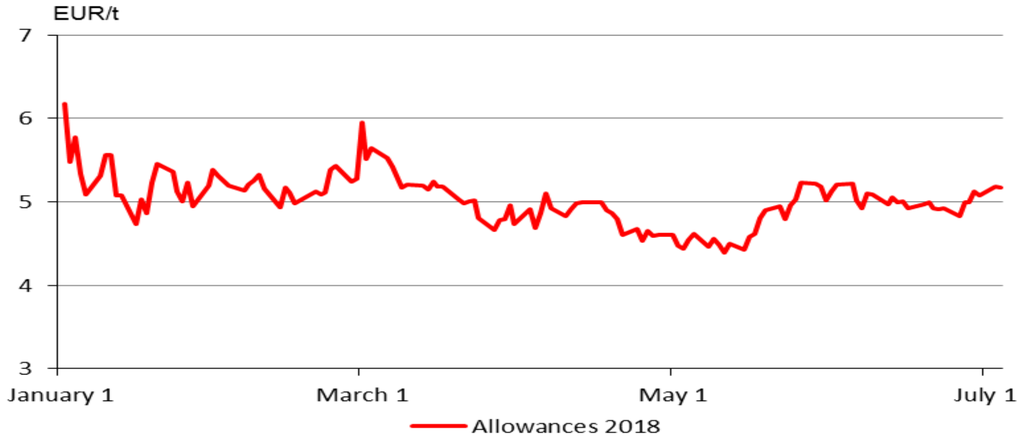
Electricity prices fluctuated around 30 EUR/MWh without a distinct trend in H1 2017, keeping at the upper limit of the interval for practically all of June and closing the half-year at just below 32 EUR/MWh. These fluctuations were more or less duplicated by changes in the prices of coal and emission allowances. A slight increase in the prices of coal (and, subsequently, electricity) at the end of the period was primarily due to increased demand for coal in China in relation to floods that forced the shutdown of some hydropower capacities and increased utilization of coal-fired power plants. It is worth noting that the price of electricity was slightly higher in Czechia than in Germany in the first half of 2017, just like the second half of 2016. The trend was generally opposite in the previous years. This phenomenon was caused by higher electricity prices in Southeastern Europe, which affected prices in Czechia.

Unlike coal prices, the market in emission allowances did not get any positive fundamental signal, so the prices of emission allowances remain low. They closed the half-year at 5 EUR/t.

Wholesale Price of Electricity in 2017 (2018 Year Band)



Prices of Emission Allowances in 2017 (2018 Forward Contracts)



External Conditions in the Energy Business

European Union

Developments in Regulation

In July 2017, the European Commission adopted an implementing act based on new Best Available Techniques (BAT) Conclusions, which were approved by the European Commission's committee in April 2017. It is a set of the best available techniques in environmental protection (its most significant impacts include stricter emission limits). Four-year period, during which the new requirements will have to be incorporated in the integrated permits of power plants and heating plants and the operators will thus have to observe them, started to run by publishing it in the Official Journal of the EU on August 17.

In June 2017, the European Parliament approved in its plenary session its position on the proposal for a regulation on binding annual greenhouse gas emission reductions by EU Member States after 2020 in sectors outside the EU ETS. Specifically, those sectors include agriculture and forestry, transportation, and the buildings and waste sectors. Altogether, those sectors produce about 60% of all EU emissions. The issue that was debated most intensely by the Parliament was the setting of rules for the transfer of credits from the Land Use, Land Use Change, and Forestry (LULUCF) sector. Once the Council adopts its decision, an informal inter-institutional meeting ("trialogue") will start.

Winter Package—Clean Energy for All Europeans

The legislative process of debating the proposal for an extensive package named "Clean Energy for All Europeans" has continued since the beginning of 2017. Its goal is to transform the European energy market to make it barrier-free, interconnected, based on renewable energy sources, flexible, with full participation by the demand side, and based on market principles one day.

In terms of potential impacts on the functioning of the whole electricity sector, the most significant proposals are those concerning revision to the energy efficiency directive, revision to the directive on the energy performance of buildings, legislation applicable to the electricity market design (revision to the directive on common rules for the market in electricity, revision to the regulation on the internal market in electricity, revision to the regulation on the ACER—Agency for the Cooperation of Energy Regulators, and a regulation on risk preparedness in the energy sector), revision to the directive on the promotion of the use of energy from renewable sources, and a brand-new regulation on the governance of the Energy Union.

In the second half of H1 2017, reports of relevant European Parliament committee rapporteurs were issued on the individual proposals, to which amendments were proposed by individual members of the European Parliament, except for the legislation concerning the design of the electricity market. The submitted proposed amendments will be voted on in the fall of 2017. Concurrently with the legislative developments in the European Parliament, debates on the proposals are held in the Council of the EU. Out of the whole package, the biggest progress in the legislative process is that of the two pieces of legislation concerning energy savings and energy efficiency (a general approach to both directives was approved by the Council of the EU in June).

Regulation of the Emission Allowance Market

There was continued debate in 2017 on a reform of the EU ETS, that is, Directive 2003/87 of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC. The debate advanced to its "trialogue" stage in April 2017 when all EU institutions had adopted their positions and now they are negotiating with one another. However, no significant progress has been made to date. There is a consensus on doubling the outflow of allowances to the Market Stability Reserve (MSR) but there are differing views on the retirement of allowances from the MSR. There are also differences in the views of the Council and of the Parliament on the setup of funds—this also applies to the Modernization Fund and derogation rules, which is crucial for Czechia, including rules for the protection of sectors exposed to a risk of carbon leakage (departure of industries whose costs are affected by the enforcement of climate policies), that is, the volume of free allowances for industry. Discussions between the Council, the European Parliament, and the Commission will continue in the second half of 2017. Subsequently, the directive should be published in the Official Journal of the EU in early 2018. What is important from the energy sector's perspective is that no institution is disputing continued allocation of allowances for electricity generation ("derogation"), free allocation for heat generation, or the establishment of a modernization fund for the less-advanced EU member states (including Czechia).

A Brief Forecast of the Development of the Electricity Sector from CEZ Group's Perspective

Europe's energy sector is significantly changing. Electricity wholesale prices are stagnating at low levels, primarily due to low prices of energy commodities but also due to increasing volumes of renewable energy. The European Union's political ambitions still include the reduction of emissions in electricity generation and efforts to become the global leader in renewable energy sources. At the same time, the prices of new technologies are falling, which advances both energy sector decentralization and new business models. There will be regulation laying down conditions for new electricity market participants such as aggregators or local energy communities, as well as conditions for flexibility supplies and energy storage.

While the prices of global energy commodities have risen from many-year lows, they are still much lower than in the past decade. The change is largely due to technological revolution concerning the extraction of shale oil and gas. The success of the extraction technology in the U.S. directly affected a drop in the prices of crude oil, which was reflected in the prices of other energy commodities—hard coal and natural gas. In light of recent investments in the expansion of mining and transportation capacities worldwide and the moderate growth in global demand, world coal and gas markets will remain sufficiently supplied in the next few years. As a result, fuel prices are likely to stagnate.

CEZ Group’s Strategy

Trends for changes in the energy market persist and keep growing in importance. On the side of electricity generation, there is a reinforcing trend toward generation gradually shifting from conventional units to renewables. On the side of end-use customers, comprehensive decentralized solutions and custom-tailored products are increasingly coming to the fore. Both these trends bring about an ever-growing need for flexibility in generating facilities and transmission and distribution grids. CEZ Group’s defined and valid strategy from 2014 anticipated these trends and hence it remains up to date.

CEZ Group’s mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its vision is to bring innovations for resolving energy needs and to help improve quality of life.

CEZ Group’s strategy is built on three priorities, namely:

I. Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century

II. Offer customers a wide range of products and services addressing their energy needs

III. Strengthen and consolidate our position in Europe.

Under these three strategic priorities, CEZ Group concentrates primarily on the following activities:

I. Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century

- Focus on operational efficiency as a prerequisite for further existence in both conventional and new energy, while operational safety remains an absolute priority
- Make provisions for the long-term operation of the Dukovany Nuclear Power Plant and prepare well for making provisions for the long-term operation of the Temelín Nuclear Power Plant
- Phase out older condensing generating units
- In conventional facilities, give priority to brown coal-fired power plants located directly at brown coal surface mines operated by CEZ Group; efficiently operate the other sites and prepare and consider further steps in the short-to-medium term
- Develop new unit projects at Temelín and Dukovany depending on changes in the Czech state’s attitude to nuclear energy development
- Continually improve the efficiency and flexibility of distribution grids

II. Offer customers a wide range of products and services addressing their energy needs

- Achieve the top level in electricity and gas sales and customer care
- Develop additional products and services and leverage synergies with energy commodities
- Launch new business models—from equipment deliveries to electricity generation, storage and supply at the customer’s point of consumption, including financing and related services
- Invest in early opportunities and technologies to allow CEZ Group to establish promising positions in the future energy environment
- Prepare distribution grids for operation under the conditions of increasingly decentralized generation

III. Strengthen and consolidate our position in Europe

- Strive to acquire assets and companies in the distribution, renewables, and conventionals segments; sales companies that deliver energy and related products to end-use customers; and companies developing new products and services that are promising from the perspective of future decentralized energy
- Optimize our capital and ownership structure, possibly divesting selected assets in order to reduce risk exposure in selected regions
- Focus on regions with a stable regulatory environment

CEZ Group made three major strategic acquisitions in 2017. It acquired Elevion, a successful German company that is one of the largest providers of comprehensive energy services in the country. It entered the French market in renewables by acquiring wind farm development projects with a potential for the construction of up to 101.8 MW. Its third acquisition was an operated wind farm at Lettweiler Höhe, Germany, with a capacity of 35.4 MW, which will increase CEZ Group’s capacity in German wind farms to 133.5 MW.

CEZ Group’s Financial Performance

As at June 30, 2017, the consolidated CEZ Group comprised a total of 122 companies, with 109 companies fully consolidated and 13 associates and joint ventures consolidated using the equity method.

CEZ Group Consolidated Unit as at June 30, 2017

The companies of the consolidated accounting unit of CEZ Group are divided into six operating segments.

Generation—Traditional Energy

ČEZ, a. s.
Areál Třeboradice, a.s.
CEZ Chorzów S.A.
CEZ Skawina S.A.
CEZ Srbija d.o.o.
CEZ Towarowy Dom Maklerski sp. z o.o.
CEZ Trade Romania S.R.L.
ČEZ Teplárenská, a.s.
Elektrárna Dětmarovice, a.s.
Elektrárna Dukovany II, a. s.
Elektrárna Mělník III, a. s.
Elektrárna Počerady, a.s.
Elektrárna Temelín II, a. s.
Energetické centrum s.r.o.
Energocentrum Vítkovice, a. s.
Energotrans, a.s.
OSC, a.s.
TEC Varna EAD
Tepelné hospodářství města Ústí nad Labem s.r.o.
AK-EL Kemah Elektrik Üretim ve Ticaret A.S. *)
AK-EL Yalova Elektrik Üretim A.S. *)
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S. *)
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. *)
Akenerji Elektrik Üretim A.S. *)
Egemer Elektrik Üretim A.S. *)

Generation—New Energy

A.E. Wind S.A.
Baltic Green I sp. z o.o.
Baltic Green II sp. z o.o.
Baltic Green III sp. z o.o.
Baltic Green IV sp. z o.o.
Baltic Green V sp. z o.o.
Baltic Green VI sp. z o.o.
Baltic Green VIII sp. z o.o.
Baltic Green IX sp. z o.o.
Baltic Green X sp. z o.o.
Baltic Green Construction sp. z o.o.
Bara Group EOOD
CEZ Erneuerbare Energien Beteiligungs GmbH
CEZ Erneuerbare Energien Verwaltungs GmbH
CEZ France S.A.S.
CEZ Windparks Lee GmbH
CEZ Windparks Luv GmbH
CEZ Windparks Nordwind GmbH
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ OZ uzavřený investiční fond a.s.
ČEZ Recyklace, s.r.o.
Eco-Wind Construction S.A.
Free Energy Project Oreshets EAD
M.W. Team Invest S.R.L.
Ovidiu Development S.R.L.
TMK Hydroenergy Power S.R.L.
Tomis Team S.A.
Windpark Baben Erweiterung GmbH & Co. KG
Windpark Badow GmbH & Co. KG
Windpark Cheinitz-Zethlingen GmbH & Co. KG
Windpark Frauenmark III GmbH & Co. KG
Windpark Fohren-Linden GmbH & Co. KG
Windpark Gremersdorf GmbH & Co. KG
Windpark Mengeringhausen GmbH & Co. KG
Windpark Naundorf GmbH & Co. KG
Windpark Zagelsdorf GmbH & Co. KG
ČEZ Energo, s.r.o. *)

Distribution	Sales
CEZ Razpredelenie Bulgaria AD ČEZ Distribuce, a. s. ČEZ Distribuční služby, s.r.o. Distributie Energie Oltenia S.A. Sakarya Elektrik Dagitim A.S. *)	AZ KLIMA a.s. AZ KLIMA SK, s.r.o. CEZ Elektro Bulgaria AD CEZ ESCO Bulgaria EOOD CEZ ESCO Polska sp. z o.o. CEZ Magyarország Kft. CEZ Slovensko, s.r.o. CEZ Trade Bulgaria EAD CEZ Trade Polska sp. z o.o. CEZ Vanzare S.A. ČEZ Bytové domy, s.r.o. ČEZ Energetické služby, s.r.o. ČEZ ESCO, a.s. ČEZ LDS s.r.o. ČEZ Prodej, s.r.o. ČEZ Solární, s.r.o. ČEZ Zákaznické služby, s.r.o. ENESA a.s. EVČ s.r.o. Sakarya Elektrik Perakende Satis A.S.*)

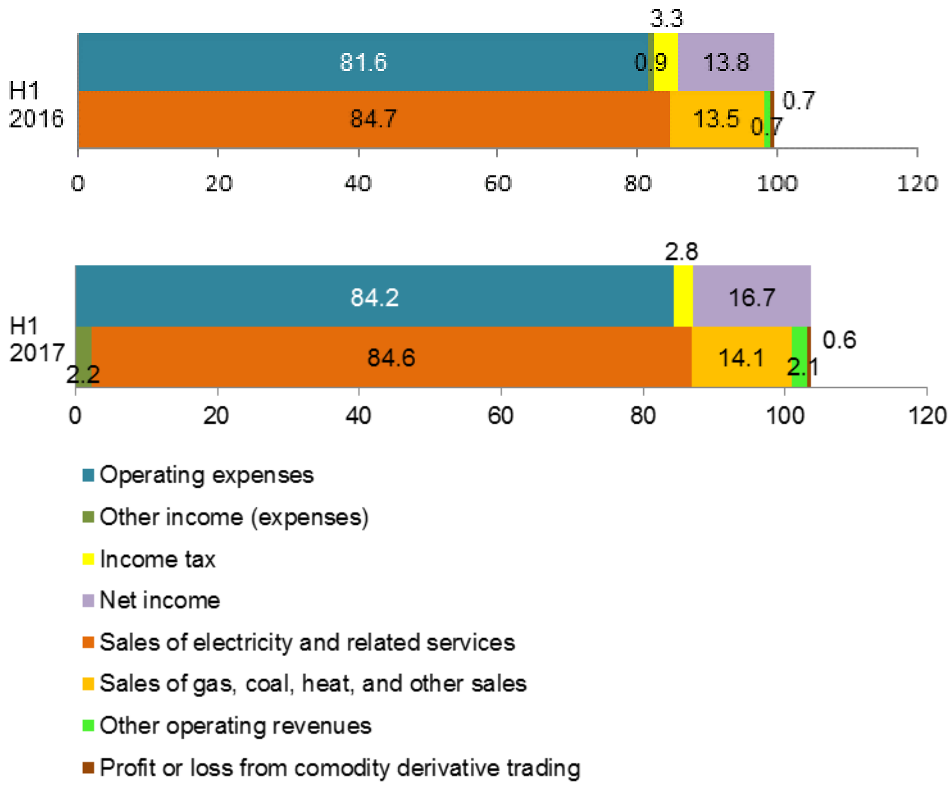
Mining	Other
Severočeské doly a.s. LOMY MOŘINA spol. s r.o. *)	Centrum výzkumu Řež s.r.o. CEZ Bulgaria EAD CEZ Bulgarian Investments B.V. CEZ Deutschland GmbH CEZ ESCO Poland B.V. CEZ ICT Bulgaria EAD CEZ International Finance B.V. CEZ MH B.V. CEZ Poland Distribution B.V. CEZ Polska sp. z o.o. CEZ Produkty Energetyczne Polska sp. z o.o. CEZ Romania S.A. CEZ Ukraine LLC ČEZ Bohunice a.s. ČEZ Energetické produkty, s.r.o. ČEZ ENERGOSERVIS spol. s r.o. ČEZ ICT Services, a. s. ČEZ Inženýring, s.r.o. ČEZ Korporátní služby, s.r.o. EGP INVEST, spol. s r.o. Inven Capital, investiční fond, a.s. MARTIA a.s. PRODECO, a.s. Revitrans, a.s. SD - Kolejová doprava, a.s. Shared Services Albania Sh.A. ŠKODA PRAHA a.s. ŠKODA PRAHA Invest s.r.o. Telco Pro Services, a. s. ÚJV Řež, a. s. Akcez Enerji A.S.*) CM European Power International B.V.*) Jadrová energetická spoločnosť Slovenska, a. s.*)

*) *Joint venture*

CEZ Group's Financial Results

Changes in Revenues, Expenses, and Income

CEZ Group Net Income Breakdown (CZK Billions)



Earnings before depreciation and amortization, allowances, sales of property, plant, and equipment and intangibles, and write-off of canceled investments (EBITDA) decreased by CZK 1.8 billion year-on-year to CZK 31.3 billion. Net income (after-tax income) increased by CZK 2.9 billion to CZK 16.7 billion.

Primary causes of the year-on-year increase in net income included the termination of MOL shareholding and nonrecurrent income from the sale of residential properties in Prague. A negative effect on the year-on-year comparison was produced primarily by a further decrease in the realization prices of generated electricity.

Adjusted net income (see the calculation and definition of the indicator on pages 68 and 70 of the Half-Year Report) increased by CZK 2.2 billion year-on-year to CZK 17.0 billion: net income increased by CZK 2.9 billion while adjustment for the negative effect of fixed asset impairments was CZK 0.7 billion lower.

Operating revenues increased by CZK 2.0 billion year-on-year, primarily due to revenue from the sale of properties in Prague (CZK +1.4 billion) and due to revenue from new acquisitions in energy services.

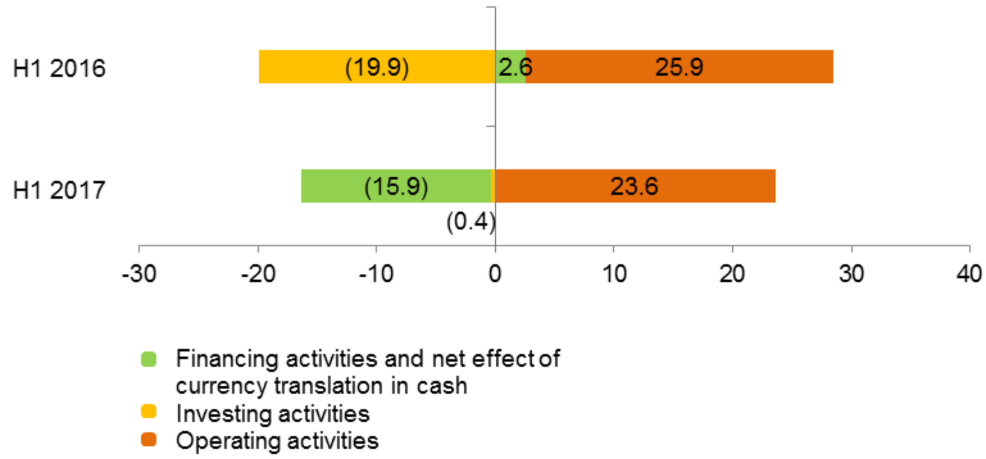
Operating expenses increased by CZK 2.7 billion year-on-year due to increased purchase costs of energies and related services (CZK -1.6 billion). A negative effect on the year-on-year comparison was produced by higher expenses on emission allowances (CZK -1.3 billion) and higher fixed operating expenses (CZK -0.7 billion), especially personnel expenses. Furthermore, there was a year-on-year increase in depreciation and amortization (CZK -0.8 billion), primarily due to the renovated Prunéřov Power Plant being classified as assets in 2016. Conversely, a positive year-on-year effect was produced by a change in the balance of impairments and provisions (CZK +1.4 billion), primarily in connection with the termination of disputes with Sokolovská uhelná. Another positive effect was lower additions to impairments of property, plant, and equipment and intangible assets, including goodwill (CZK +0.7 billion).

Other income (expenses) increased income by CZK 3.1 billion year-on-year, primarily due to the termination of MOL shareholding (CZK +4.4 billion). By contrast, a negative effect was produced by higher interest expenses due to lower interest capitalization after the completion of Prunéřov Power Plant renovation in 2016 (CZK -0.7 billion) and other effects (CZK -0.6 billion), primarily revaluation of financial derivatives.

Income tax decreased by CZK 0.5 billion due to a lower tax base.

Cash Flows

CEZ Group Cash Flows (CZK Billions)



Cash flows from operating activities decreased by CZK 2.3 billion year-on-year. Earnings before taxes increased by CZK 2.3 billion year-on-year. Adjustments for non-cash operations decreased them by CZK 4.6 billion year-on-year. A year-on-year increase in interest paid, net of capitalized interest (CZK -0.9 billion), and decrease in dividends received (CZK -0.3 billion) were offset by lower income tax paid (CZK +1.2 billion).

An increase in working capital decreased cash flows from operating activities by CZK 0.1 billion year-on-year. Negative effects on working capital included primarily those of receivables and payables from derivatives, including options (CZK -3.6 billion); emission allowances and certificates for renewable generation support (CZK -2.0 billion); receivables and payables including advances and accruals/deferrals (CZK -1.3 billion); and inventories (CZK -0.8 billion). In contrast, a positive effect on working capital was produced by other receivables and payables (CZK +8.0 billion), primarily due to the clearing of exchange operations and corrections to financial collateral.

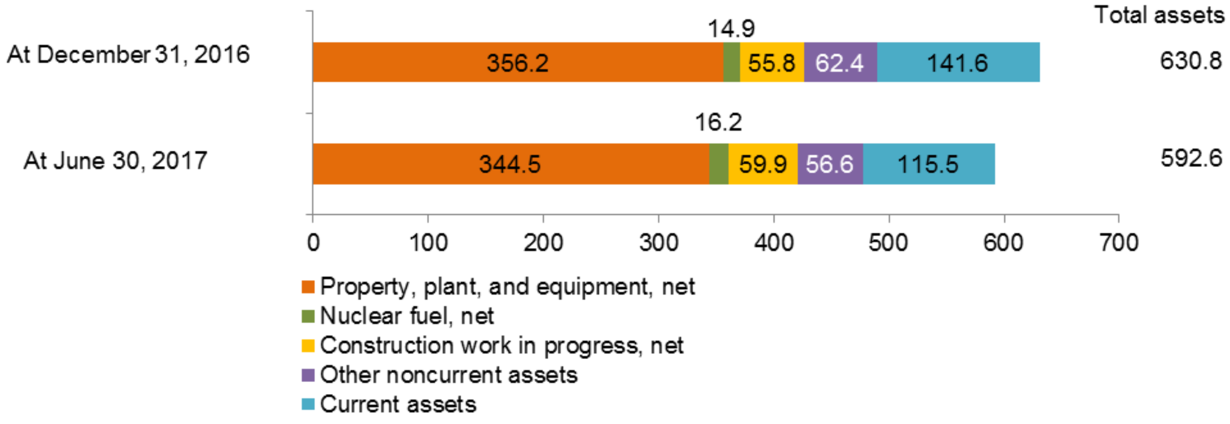
Cash used in investing activities decreased by CZK 19.6 billion year-on-year, primarily due to higher proceeds from the sale of fixed assets (CZK +12.6 billion), including proceeds of CZK 12.2 billion from the sale of MOL shares in H1 2017. Furthermore, there was a positive year-on-year effect of lower additions to noncurrent financial assets (CZK +5.0 billion), especially purchases of bank bonds in H1 2016 and a year-on-year decrease in investments in property, plant, and equipment and intangible assets, i.e., CAPEX (CZK +1.4 billion), or liquidation balance received from CMEPI B.V. (CZK +0.9 billion) in H1 2017. By contrast, there was a negative effect of the year-on-year change in liabilities attributable to capital expenditure (CZK -0.7 billion).

Cash used in financing activities, including the net effect of currency translation in cash, increased by CZK 18.5 billion year-on-year. The main reason was a year-on-year increase in the repayment of and proceeds from borrowings (CZK -18.9 billion), primarily the early redemption of convertible bonds in relation to the sale of MOL shares (CZK -13.0 billion). Conversely, the cash flow from financing activities was increased by lower payments of other long-term liabilities (CZK +0.6 billion).

Structure of Assets, Equity, and Liabilities

The value of CEZ Group's consolidated assets, equity, and liabilities decreased by CZK 38.3 billion to CZK 592.6 billion in H1 2017.

Structure of CEZ Group Assets (CZK Billions)

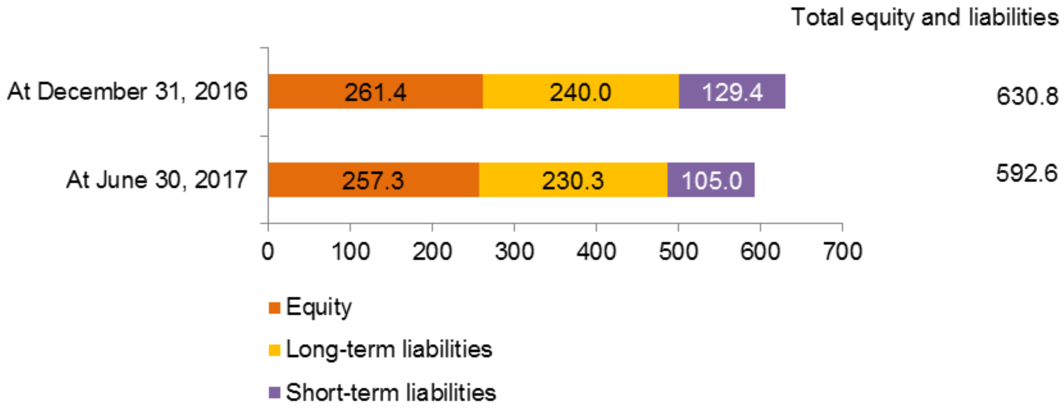


Noncurrent assets decreased by CZK 12.1 billion to CZK 477.1 billion. The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 6.4 billion. A decrease in net property, plant, and equipment of CZK 11.7 billion was partially offset by an increase in construction work in progress of CZK 4.1 billion and an increase in nuclear fuel inventory of CZK 1.3 billion.

A decrease in other noncurrent assets by CZK 5.8 billion to CZK 56.6 billion was primarily affected by the reclassification of available-for-sale securities as current assets (effect of CZK 2.9 billion) and a CZK 1.7 billion decrease in the value of investment in associates and joint ventures, primarily due to the liquidation of CMEPI B.V. There was also a negative effect of decrease in long-term receivables from derivative trading of CZK 0.5 billion, lower deferred tax assets of CZK 0.5 billion, and decrease in noncurrent intangible assets of CZK 0.5 billion.

Current assets decreased by CZK 26.1 billion to CZK 115.5 billion in H1 2017. Primarily, there was a decrease in receivables from derivative trading including options of CZK 16.5 billion, liquid securities and term deposits of CZK 12.6 billion, and net receivables (in particular, trade receivables and other receivables) of CZK 7.5 billion. By contrast, there was an increase in cash and cash equivalents of CZK 7.4 billion, income tax receivables of CZK 2.1 billion, and emission allowances of CZK 0.8 billion.

Structure of CEZ Group Equity and Liabilities (CZK Billions)



Equity, including noncontrolling interests, decreased by CZK 4.0 billion to CZK 257.3 billion due to dividends of CZK 17.9 billion (this amount corresponds to approved dividends for shareholders net of dividends on treasury shares) and due to other comprehensive income decreasing it by CZK 2.8 billion. By contrast, net income generated in H1 2017 increased equity by CZK 16.7 billion.

A negative effect of available-for-sale securities on other comprehensive income (CZK -6.5 billion) was offset by cash flow hedging (CZK +6.5 billion). Foreign exchange translation differences of CZK 1.8 billion and deferred tax associated with other comprehensive income of CZK 1.1 billion decreased comprehensive income.

Noncurrent liabilities decreased by CZK 9.8 billion to CZK 230.3 billion primarily due to a decrease in issued bonds of CZK 10.1 billion and long-term bank loans of CZK 0.7 billion, as well as a decrease in noncurrent derivative liabilities of CZK 2.0 billion. The opposite effect was produced by an increase in deferred tax liability of CZK 3.2 billion.

Current liabilities decreased by CZK 24.4 billion to CZK 105.0 billion, primarily due to a CZK 18.7 billion decrease in payables from short-term derivative trading, including options; a CZK 10.4 billion decrease in short-term loans, including the current portion of long-term debt; a CZK 6.8 billion decrease in trade payables, including advances; a CZK 3.1 billion decrease in unbilled goods and services; a CZK 2.1 billion decrease in short-term provisions (primarily for emission allowances); and a CZK 0.4 billion decrease in income tax payables. By contrast, liabilities to shareholders on account of dividend payment increased by CZK 17.8 billion.

Comprehensive Income

Net comprehensive income increased by CZK 0.2 billion to CZK 13.8 billion year-on-year.

The main effects were a year-on-year increase in net income of CZK 2.9 billion and decrease in other comprehensive income of CZK 2.7 billion.

Other comprehensive income was negatively affected primarily by available-for-sale securities (CZK -7.9 billion), foreign exchange translation differences in equity (CZK -1.4 billion), and deferred tax associated with other comprehensive income (CZK -1.4 billion). By contrast, it was increased year-on-year by cash flow hedging (CZK +8.1 billion).

Net Debt

CEZ Group Net Debt (CZK Billions)

	H1 2016	H1 2017
Long-term debt, net of current portion	154.2	131.5
Current portion of long-term debt	2.9	9.6
Short-term loans	4.8	5.5
Total debt	**162.0**	**146.6**
Cash and cash equivalents	(22.0)	(18.7)
Highly liquid financial assets	(15.5)	(8.5)
Net debt	**124.4**	**119.4**
EBITDA (as in preceding 12 months)	**62.7**	**56.3**
Net debt / EBITDA	**1.99**	**2.12**

Financial Results of CEZ Group Segments

Segments and Their Contributions to CEZ Group's Financial Performance

	Operating Revenues Other Than Intersegment Revenues (CZK millions)	Operating Intersegment Revenues (CZK millions)	Total Operating Revenues (CZK millions)	EBITDA (CZK millions)	EBIT (CZK millions)	Income Tax (CZK millions)	Net Income (CZK millions)	CAPEX (CZK millions)	Workforce Headcount at June 30 (persons)
Generation−Traditional Energy									
H1 2016	25,578	15,915	41,493	14,787	6,460	(1,061)	18,015	7,736	6,613
H1 2017	27,763	15,372	43,135	12,733	4,813	(563)	13,818	5,120	6,618
Gneration−New Energy									
H1 2016	1,790	344	2,134	1,858	115	(134)	(61)	(1)	76
H1 2017	2,175	407	2,582	2,324	1,207	(119)	931	173	57
Distribution									
H1 2016	14,500	15,041	29,541	9,997	7,027	(1,296)	5,590	4,379	7,807
H1 2017	14,493	14,450	28,943	10,046	6,943	(1,249)	5,575	5,279	8,212
Sales									
H1 2016	53,729	2,732	56,461	3,207	3,210	(561)	2,742	15	1,840
H1 2017	53,066	2,356	55,422	2,732	2,692	(511)	2,067	39	2,302
Mining									
H1 2016	2,170	2,389	4,559	2,008	783	(135)	1,402	634	2,675
H1 2017	2,211	2,367	4,578	2,095	938	(179)	1,341	331	2,692
Other									
H1 2016	1,136	8,230	9,366	1,238	400	(113)	855	3,876	7,069
H1 2017	1,175	7,177	8,352	1,378	645	(153)	5,439	3,118	7,068
Elimination									
H1 2016	-	(44,651)	(44,651)	3	3	-	(14,746)	(3,371)	-
H1 2017	-	(42,129)	(42,129)	3	3	-	(12,513)	(2,147)	-
Consolidated									
H1 2016	98,903	-	98,903	33,098	17,998	(3,300)	13,797	13,268	26,080
H1 2017	100,883	-	100,883	31,311	17,241	(2,774)	16,658	11,913	26,949

CEZ Group's biggest segment, Generation—Traditional Energy, saw its EBITDA decrease by CZK 2.1 billion. A decrease in EBITDA in Czechia of CZK 1.9 billion was primarily due to lower realization prices of generated electricity, including the effect of hedging (CZK -1.8 billion); lower profit on commodity trading (CZK -0.3 million); and lower revenue from ancillary services (CZK -0.2 billion). Another negative impact year-on-year was that of other effects (CZK -0.3 billion), primarily revaluation of derivatives. In contrast, there was a positive effect of the settlement agreement with Sokolovská uhelná (CZK +0.7 billion). The value of EBITDA in Poland decreased by CZK 0.1 billion primarily due to a year-on-year decrease in generation due to lower volume of biomass co-firing.

The EBITDA of the Generation—New Energy segment grew by CZK 0.5 billion primarily due to increased generation in Romania and Germany. CEZ Group purchased new wind farms in Germany in late 2016 (CZK +0.2 billion). A year-on-year increase in Romania was primarily due to generation restrictions imposed by the transmission system operator in 2016. The primary effect in Czechia (CZK +0.1 billion) was settlement of provisions in relation to OTE's decision on change in tariffs for a portion of the photovoltaic power plant portfolio.

The EBITDA of the Distribution segment did not change year-on-year and was CZK 10.0 billion. There was no change in Czechia and a marginal decrease in Romania year-on-year. A slight increase (CZK +0.1 billion) was registered in Bulgaria due to higher gross margin on distributed electricity, primarily due to a higher amount of electricity distributed to end-use customers (+0.3 TWh).

The Sales segment reported a year-on-year decrease in EBITDA of CZK 0.5 billion due to a decrease in Czechia (CZK -0.4 billion). The decrease was caused by higher fixed expenses, primarily in relation to separation of customer service for ČEZ Distribuce and ČEZ Prodej customers (CZK -0.3 billion) and due to higher additions to allowances on receivables (CZK -0.1 billion). A decrease in EBITDA in Slovakia (CZK -0.2 billion), Hungary (CZK -0.1 billion) and Romania (CZK -0.1 billion) was primarily caused by lower gross margin due to higher expenses on electricity and gas purchases. By contrast, there was a positive effect (CZK +0.4 billion) of an out-of-court settlement agreement made between CEZ Elektro Bulgaria and state-owned energy company NEK in 2017 concerning RES receivables.

The Mining segment increased its EBITDA by CZK 0.1 billion over H1 2016, primarily due to higher revenue from coal sales. An increase in coal sales to 10.7 million tons, i.e., 0.7 million tons (+7%) more year-on-year, was primarily due to higher consumption by CEZ Group companies.

The Other segment achieved a slight increase in EBITDA in Czechia of CZK 0.1 billion, primarily in connection with an increase in the volume of intragroup service activities.

Related Parties

Overview of Receivables From and Payables to Related Parties (CZK Millions)

	Receivables		Payables	
	At December 31, 2016	At June 30, 2017	At December 31, 2016	At June 30, 2017
Akcez Enerji A.S.	8	19	-	-
Akenerji Elektrik Üretim A.S.	4	14	-	-
ČEZ Energo, s.r.o.	48	62	11	24
in PROJEKT LOUNY ENGINEERING s.r.o.	14	10	9	6
LOMY MOŘINA spol. s r.o.	1	1	22	14
Výzkumný a zkušební ústav Plzeň s.r.o.	55	51	8	3
Others	9	4	58	9
Total	**139**	**161**	**108**	**56**

Sales to and Purchases From Related Parties (CZK Millions)

	Sales to Related Parties		Purchases From Related Parties	
	H1 2016	H1 2017	H1 2016	H1 2017
Akcez Enerji A.S.	14	13	-	-
Akenerji Elektrik Üretim A.S.	16	14	-	-
ČEZ Energo, s.r.o.	136	147	23	139
In PROJEKT LOUNY ENGINEERING s.r.o.	13	8	9	5
LOMY MOŘINA spol. s r.o.	5	5	91	93
Teplo Klášterec s.r.o.	32	32	-	-
Ústav aplikované mechaniky Brno, s.r.o.	1	4	11	23
Vltavotýnská teplárenská, a.s.	15	16	1	1
Others	17	14	60	21
Total	**249**	**253**	**195**	**282**

Interest and Revenue from Shares of Profit Received—Related Parties (CZK Millions)

	Interest and Other Financial Income		Income From Received Shares and Profit	
	H1 2016	H1 2017	H1 2016	H1 2017
Akcez Enerji A.S.	-	9	-	-
CZ European Power International B.V.	-	-	-	208
LOMY MOŘINA spol. s r.o.	-	-	14	11
Výzkumý ústav pro hnědé uhlí a.s.	-	-	-	11
Others	5	1	24	-
Total	**5**	**10**	**38**	**230**

Commercial and Financial Outlook for 2017

CEZ Group expects consolidated operating income before depreciation and amortization, impairments including goodwill amortization, and sales of fixed assets (EBITDA) to amount to CZK 53 billion in 2017. The outlook anticipates that CEZ Group will generate a total of 65 TWh of electricity in 2017, including 30 TWh at coal-fired plants and 28.5 TWh at nuclear plants.

The EBITDA estimate was increased by CZK 1 billion over the previous outlook (published in CEZ Group's 2016 Annual Report), primarily due to higher gross margin on generation and trading in Czechia and a positive effect of the out-of-court settlement agreement made between CEZ Elektro Bulgaria and state-owned energy company NEK concerning RES receivables.

Adjusted net income expected by CEZ Group is at the level of CZK 19 billion. The prediction of income of CZK 12 billion is increased over the previous outlook (published in CEZ Group's 2016 Annual Report) primarily due to a positive effect of the successful sale of MOL shares. The overall positive effect of the termination of the holding of 7.5% of MOL shares on CEZ Group's 2017 net income was CZK 4.6 billion. Another reason for increasing the annual estimate of net income is lower estimated depreciation and amortization and interest expenses (primarily due to a change in the expected date of final acceptance of the Ledvice Power Plant for service).

Risks to the above predictions of financial performance in 2017, as seen by CEZ Group, include primarily lower availability of generating facilities in Czechia and developments in regulatory and legislative conditions for the energy sector in Europe.

The 2017 adjusted net income of the parent company, ČEZ, a. s., is expected to be CZK 9 billion. This is an increase of CZK 7 billion over the previous outlook (published in CEZ Group's 2016 Annual Report), primarily due to higher dividends received from subsidiaries as well as due to the above-mentioned increase in gross margin on generation and trading in Czechia and lower depreciation and amortization and interest expenses due to their higher capitalization (with regard to the change in the expected completion date of the Ledvice Power Plant).

CEZ Group expects its capital expenditures to be approximately CZK 32 billion in 2017, with a majority planned to be invested in generation and distribution assets in Czechia.

No major changes are expected in the overall structure of assets from which the 2017 income will be generated.

CEZ Group's Capital Expenditures

Capital Expenditures (CZK Millions)

	H1 2016	H1 2017
Additions to property, plant, and equipment and other noncurrent assets, including capitalized interest	**19,501**	**13,791**
Additions to property, plant, and equipment	12,971	11,552
of which: nuclear fuel procurement	2,517	1,744
Additions to intangibles	297	361
Additions to long-term financial assets	5,125	108
Change in balance of liabilities attributable to capital expenditure	1,108	1,770
Financial investments [1]	**42**	**95**
Capital expenditures, total	**19,543**	**13,886**

[1] Acquisition of subsidiaries and joint venture, net of cash acquired.

Additions to Property, Plant, and Equipment and Intangibles (CAPEX), by Type (CZK Millions)

	H1 2016	H1 2017
Nuclear plants (including fuel procurement)	3,567	2,534
Coal and CCGT plants	4,172	2,716
of which: new construction	1,449	2,319
renovation and other	2,723	397
Hydro plants other than renewables	20	38
Renewables	8	44
Electricity distribution	3,999	5,279
Heat distribution	42	71
Mining	626	338
Information systems	342	313
Other	493	579
Total	**13,268**	**11,913**

Commodities Procured and Sold by CEZ Group

Electricity Procured and Delivered

Electricity Procured and Sold (GWh)

	H1 2016	H1 2017	2017/2016 Index (%)
Electricity procured	**28,558**	**28,640**	**100.3**
Generation	31,804	31,816	100.0
In-house and other consumption, including pumping in pumped-storage plants	(3,245)	(3,176)	97.9
Sold to end-use customers	**(18,561)**	**(18,897)**	**101.8**
Wholesale balance	**(7,704)**	**(7,440)**	**96.6**
Sold in the wholesale market	(93,860)	(126,442)	134.7
Purchased in the wholesale market	86,156	119,003	138.1
Grid losses	**(2,293)**	**(2,304)**	**100.5**

Electricity Generation, by Source of Energy (GWh)

	Czechia		Poland		Bulgaria		Romania		Other countries		Total	
	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Nuclear	14,322	13,876	-	-	-	-	-	-	-	-	14,322	13,876
Coal	13,811	13,652	1,184	1,164	-	-	-	-	-	-	14,995	14,816
Hydro	1,102	1,132	6	5	-	-	49	43	-	-	1,156	1,180
Biomass	252	298	165	87	-	-	-	-	-	-	417	385
Photovoltaic	67	73	-	-	3	3	-	-	-	-	70	76
Wind	4	3	-	-	-	-	567	654	-	97	571	754
Natural gas	272	727	-	-	-	-	-	-	-	-	272	727
Biogas	1	2	-	-	-	-	-	-	-	-	1	2
Total	**29,830**	**29,763**	**1,354**	**1,256**	**3**	**3**	**616**	**697**	**-**	**97**	**31,804**	**31,816**

Electricity Sold to End-Use Customers (GWh)

	Czechia		Poland		Bulgaria		Romania		Other countries		Total	
	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Large end-use customers	4,814	4,283	918	1,317	1,666	1,943	379	434	1,363	1,374	9,139	9,350
Retail–commercial	1,152	1,084	-	140	951	808	424	415	55	59	2,581	2,506
Residential	3,732	3,779	-	-	2,196	2,331	843	865	69	65	6,840	7,040
Total	**9,698**	**9,146**	**918**	**1,457**	**4,813**	**5,082**	**1,645**	**1,714**	**1,487**	**1,497**	**18,561**	**18,897**

Heat

Heat Supplied and Sold (TJ)

	Heat Supplied for Heating Purposes		External Heat Sales (outside CEZ Group)	
	H1 2016	H1 2017	H1 2016	H1 2017
Czechia	12,472	12,443	10,166	10,268
Poland	3,329	3,538	3,265	3,470
CEZ Group, total	**15,801**	**15,981**	**13,431**	**13,737**

Natural Gas

Natural Gas Procured and Sold (GWh)

	H1 2016	H1 2017	2017/2016 Index (%)
Procured	**64,789**	**98,029**	**151.3**
of which: external suppliers	64,579	97,741	151.4
OTE	210	288	137.1
Removed from storage	**2,133**	**2,224**	**104.3**
Sold	**(64,792)**	**(96,859)**	**149.5**
of which: Trading	(60,342)	(91,141)	151.0
External large end-use customers	(1,363)	(2,158)	158.3
Medium-sized end-use customers	(349)	(496)	142.1
Small end-use customers	(587)	(706)	120.2
Residential	(1,923)	(2,047)	106.4
OTE	(226)	(311)	137.5
Placed in storage	**(1,296)**	**(1,819)**	**140.4**
Consumed in-house	**(834)**	**(1,576)**	**188.9**

Distributed Electricity

Electricity Distributed by CEZ Group (GWh)

	Czechia		Bulgaria		Romania		Total	
	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Electricity distributed to end-use customers	17,625	18,337	4,692	4,976	3,162	3,298	25,479	26,611

Business Environment in the Energy Sector

The energy market in Czechia is fully liberalized and all customers, including residential customers, can choose their electricity supplier. There is a functional electricity exchange (PXE) and a market operator guaranteeing the functioning of the market. The price of electricity distribution is regulated.

The following significant legislation relevant to the energy sector was amended in the first half of 2017:

- **Act No. 165/2012 Sb.**, on promoted energy sources and on amendment to some acts

The amendment remedied the existing situation for small hydropower plants (SHPs) of up to 10 MW of installed capacity reconstructed or refurbished between October 2, 2013 and December 31, 2015. Said power plants were deemed to be put into operation at January 1, 2016 pursuant to the law although there were actually put into operation at an earlier date, after the actual completion of reconstruction or refurbishment. They did not receive any operating support for January 1, 2016 to September 30, 2016 and only from October 1, 2016 were they entitled, according to the ERO's price decision, to support at the same level as SHPs newly commissioned since January 1, 2016. Pursuant to the amended law, they are deemed to be put into operation at the reconstruction or refurbishment completion date, which corresponds to reality as well as to how all other facilities using renewable energy sources are treated, making them eligible for operational support. They are now entitled to operating support according to the SHP's actual commissioning date (after reconstruction or refurbishment) and to a top-up payment of support for electricity generated from January 1, 2016 to September 30, 2016.

- **Act No. 311/2006 Sb.**, on fuels and fueling stations and on amendment to some related acts (Fuels Act)

The Act transposes the directive on the deployment of alternative fuels infrastructure, introduces a definition of alternative fuels, obligations for the operators and owners of fueling and charging stations, and amends some provisions of the Fuels Act.

- **Act No. 183/2006 Sb.**, on town and country planning and building regulations (Building Act)

An amendment to Act No. 183/2006 Sb., on town and country planning and building regulations (Building Act), as amended, and to other related acts (44 related legal regulations in total), previously rejected by the Senate, was passed by the Chamber of Deputies in the summer. This is a major legislative amendment to all aspects of building laws and related regulations, which will affect a wide range of building projects. The ambition behind the amendment is to help speed up and streamline permitting processes under building laws and regulations.

From the perspective of the energy sector's interests, highlights in the field of land-use planning include, for example, refining the institution of legitimate investor and strengthening its participation in changes to land-use plans, which will allow avoiding infrastructure development conflicts in planning documents. Furthermore, shortened procedures were introduced for making changes to planning documents, which will allow, under certain conditions, making changes to land-use plans or spatial development guidelines faster than before to address current needs in an area. Definitions in building regulations were amended, for example, to provide a more precise definition of energy structures that is in accordance with the definition in the Energy Act. In line with the Updated State Energy Policy and the National Action Plan for Nuclear Energy, the Building Act newly stipulates requirements for the content and scope of documentation for the siting of sets of structures on the sites of nuclear installations using the "envelope method." A fundamental change consists in introducing consolidated planning and building permit proceedings, which can be combined with environmental impact assessment (EIA) into a single process.

Mentionable amendments to related regulations include:

- Act No. 500/2004 Sb., Rules of Administrative Procedure (setting down the scope and content of a binding opinion to prevent respective authorities from overstepping their powers)
- Act No. 100/2001 Sb., on environmental impact assessment (creating prerequisites for combining EIA with consolidated planning and building permit proceedings)

- Act No. 416/2009 Sb., on speeding up the construction of transport, water, and energy infrastructure (speeding up and increasing the efficiency of the administration of selected energy infrastructure construction projects)
- Act No. 114/1992 Sb., on nature and landscape conservation (preventing societies under this act from participation in other administrative proceedings)
- Act No. 184/2006 Sb., Expropriation Act, and Act No. 458/2000 Sb., Energy Act (detailing expropriation title and regulating the scope of restraints on owners' rights)

A new **Act No. 194/2017 Sb.,** on measures to reduce the cost of deploying high-speed electronic communications networks and on amendment to some related acts, was passed and promulgated in the first half of 2017.

Based on the European Union's legislation, the act lays down rules for rolling out high-speed networks in relation to requirements for the use of existing infrastructure and facilitating a more efficient deployment of new infrastructure so that such networks can be built at lower cost. This act brings about new obligations for the energy sector, which is an "obliged entity" under the act, especially in the field of networks.

Furthermore, some decrees were amended:

- **Decree No. 349/2015 Sb.**, on Gas Market Rules

Approved amendments were mostly of a technical nature and to provisions where the possibility of an ambiguous interpretation of processes or a clerical/stylistic error was identified. The draft decree partially aligns the law with Article 26(2) of Commission Regulation (EU) No. 984/2013 of October 14, 2013, establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems.

- **Decree No. 408/2015 Sb.**, on Electricity Market Rules

Unfortunately, the amended decree failed to remedy the existing problem with the used terms "point of supply," "interconnection point," and "connection point," preserving and, in a number of cases, even increasing inconsistency in their usage, meaning, and practical application to market operation, not only within the Decree on Electricity Market Rules itself but also, consequently, in other implementing regulations published by the Energy Regulatory Office for the Energy Act. This results in increased ambiguity in the interpretation and practical application of the rules and legal uncertainty for electricity market participants in a number of areas within the market.

- **Decree No. 262/2015 Sb.**, on regulatory reporting

An amendment to Act No. 563/1991 Sb., on accounting, and its implementing decree entered into effect on January 1, 2016. This new legislation changed both the guideline chart of accounts and the arrangement and identification of items in a statement of profit or loss. Entities that are subject to price regulation by the Energy Regulatory Office have kept their accounts in accordance with the amended legislation since January 1, 2016. To continue to ensure clear, comprehensible, and transparent reporting based on financial statements, this decree was amended and regulatory reports were modified to correspond to the modified financial statements.

- **Decree No. 21/2017 Sb.**, on assuring nuclear safety of nuclear installations

These are essential legal rules for all nuclear facilities in Czechia, namely for the nuclear power plants at Dukovany and Temelín and for radioactive waste storage facilities and radioactive waste repositories. The decree stipulates bases and fundamental procedures for the designing process (definitions of safety objectives and procedures for safety assessment); individual technical requirements for specific categories of safety-relevant systems, structures, and components; and requirements for some types of documentation describing the design of a nuclear facility and representing its material aspects.

The latest amendment to the Energy Act from 2016 newly enabled electricity "autoproduction" at "microsources" (generating facilities of up to 10 kW of installed capacity) without a license granted by the ERO under the Energy Act. The first half of the year saw continued growth in interest among traders, who offer their "autoproducer" customers products that allow taking advantage of license-free "autoproduction," often combined with government subsidies under the "New Green for Savings" program. However, there is a debate regarding how to properly treat possible exports of unconsumed electricity to the grid. They are conditional on the customer's having a valid connection agreement that provides for the connection of the electricity generation facility and includes non-zero reserved capacity. At the same time, there must be legal grounds for such power supply lest it be unauthorized supply of electricity to the electricity system. Because the Energy Act does not entitle customers to supply electricity from their generating facility to other market participants through the electricity system, the solution can consist in using a type of agreement other than under the Energy Act or using elements of such agreements in existing agreements.

The implementation of the amended Directive 2014/94/EU of the European Parliament and of the Council on the deployment of alternative fuels infrastructure ("Directive") into Czech law by Act No. 152/2017 Sb. in the first half of 2017 constitutes a significant advancement in the legislative environment for charging infrastructure. Pursuant to the Directive, Member States should ensure that recharging points accessible to the public are built up with adequate coverage, in order to enable electric vehicles to circulate at least in urban/suburban agglomerations and other densely populated areas, and, where appropriate, within networks determined by the Member States.

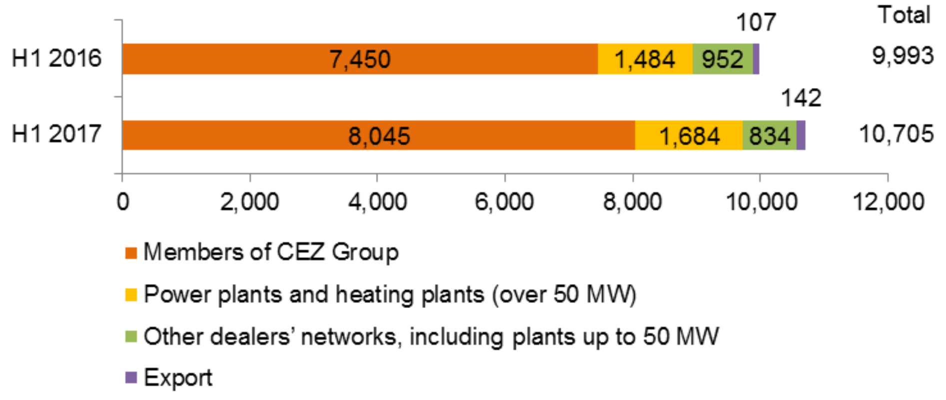
Mining

Coal Mining and Sales

The CEZ Group's company engaged in brown coal mining is Severočeské doly. It sold approximately 10,705,000 tons of coal in H1 2017. This is a year-on-year increase of approximately 712,000 tons of coal, primarily due to higher consumption by both CEZ Group companies and external customers.

Higher consumption of sized coal was significantly affected by a long and cold winter.

Coal Sales, by Customer (Thousands of Tons)



Capital Construction

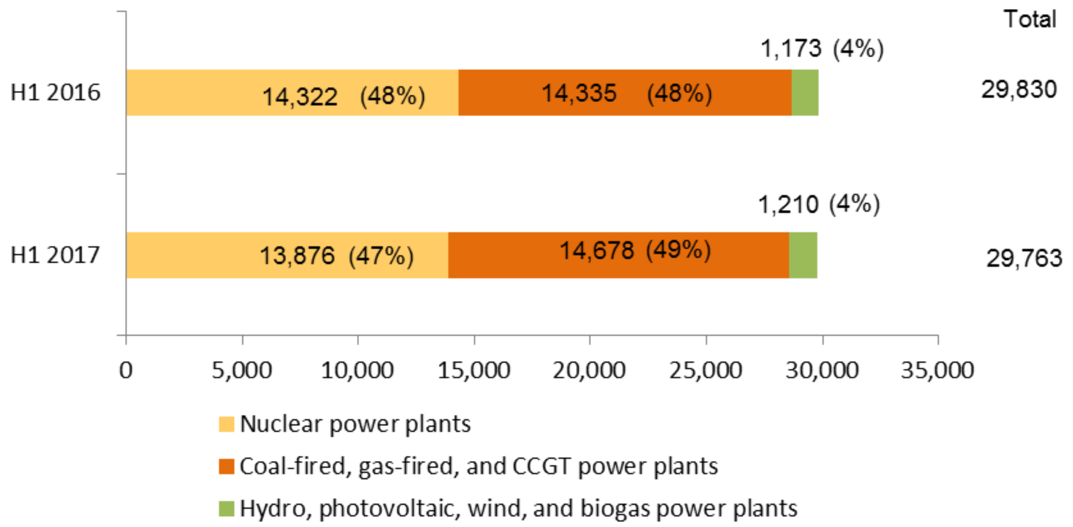
Severočeské doly invested CZK 341 million in capital construction in H1 2017. The major part of its capital investment program comprised projects to ensure the progress of extraction in its two mines. The structure of capital investment consists primarily of deliveries, reconstructions, and upgrades of mining equipment and dressing and crushing plants and construction of stabilization measures and water management structures.

Generation

Electricity Generation

Electricity production at CEZ Group's generating facilities in the Czech Republic in H1 2017 totaled 29,763 GWh, i.e. 67 GWh less than in the same period of 2016.

Electricity Generated by CEZ Group in Czechia, Gross (GWh)



Nuclear power plants' total electricity production decreased by 446 GWh year-on-year; the production of the Temelín Nuclear Power Plant decreased by 421 GWh (due to scheduled outages) and the production of the Dukovany Nuclear Power Plant decreased by 25 GWh.

Coal-fired generation decreased by 159 GWh year-on-year. The comparison of generated amounts is affected the most by the sale of the Tisová Power Plant, which accounts for a decrease of 577 GWh in the year-on-year comparison. In addition, a year-on-year decrease in generation was registered at the Prunéřov I, Počerady, and Dětmarovice power plants, in particular. By contrast, there was a positive year-on-year effect of increased operation at the new Ledvice 4 Power Plant unit.

The Počerady II CCGT plant generated 455 GWh of electricity more year-on-year thanks to higher deployment due to more favorable spot prices.

Generation from biomass increased by 46 GWh, the production of hydroelectric power plants increased by 30 GWh, and the production of photovoltaic power plants increased by 6 GWh.

Safety of Operated Nuclear Power Plants

In the first half of 2017, both ČEZ, a. s. nuclear power plants were operated in compliance with applicable nuclear energy legislation, fulfilling the conditions of valid licenses. A new Atomic Energy Act entered into effect on January 1, 2017, introducing stricter requirements for safety. It stipulates a three-year transitional period for its full implementation but the gradual implementation of requirements in the Act and its implementing decrees started already in January 2017. To meet ever-stricter requirements for the safety of nuclear power plants and comply with the amended Atomic Energy Act, an important change was made to the organizational structure of ČEZ, a. s.—a new separate Nuclear Power division was created with effect from June 1, 2017, and functions and employees undertaking activities relating to the use of nuclear energy, including the construction of a new nuclear power plant, will be transferred to it with effect from September 1, 2017. The division will also manage the matters of relevant subsidiaries.

The first-ever WANO Corporate Peer Review was carried out at ČEZ, a. s. in May 2017 to evaluate collaboration between the management, central functions, and the Temelín and Dukovany nuclear power plants. The review involved corporate processes in HQ Leadership, Administration and Management, Supervision and Monitoring, Independent Oversight, Support and Performance, Human

Resources, and Communication. WANO experts identified two strengths: the establishment of a “Design Authority,” a project management unit, and the ability to use the contemporary media to educate and communicate with people who are interested in what is happening at ČEZ, as well as two areas with potential for improvement: the headquarters’ leadership (being able to articulate strategic conceptions, lead and develop relations with employees, convince subordinates of the correctness of decisions, follow through) and the strengthening of central supervision, as the corporate reporting system is not set up to support the process of improvement or allow taking timely action if negative trends are recognized.

Dukovany Nuclear Power Plant

ČEZ, a. s. filed an application for a renewed operating license for Unit 2 of the Dukovany Nuclear Power Plant for after July 10, 2017, with the State Office for Nuclear Safety (SÚJB) on January 2, 2017, and submitted amended and updated documentation for the application to the SÚJB in late May. A decision granting an operating license for an unlimited period of time to Unit 2 of the Dukovany Nuclear Power Plant was received by ČEZ, a. s. on June 29, 2017, and entered into effect on July 11, 2017.

A unique tightness and pressure test was successfully performed at the Dukovany Nuclear Power Plant at the close of a refueling outage at Unit 2 in March 2017; during the test, the unit’s gas-tight enclosure was pressurized to up to 130 kPa, which is one of the highest values among other power plants of this type throughout the world. This test, which was the most challenging in terms of technique and safety, as well as other tests made during the outage proved that Unit 2 is in very good condition, meeting the conditions for further long-term safe operation.

A WANO Peer Review took place at the Dukovany Nuclear Power Plant in late March and early April 2017, with participation of experts from WANO’s Moscow, Atlanta, and Paris centers. The review checked all defined areas against WANO’s new performance objectives and criteria, updated and amended after the events at the Fukushima, Japan, nuclear power plant. As opposed to 19 areas for improvement found in 2012, only 9 areas for improvement were identified in 2017. Many of them are areas that the power plant has already been working on, such as the supervision of contractors’ work, human performance quality and human error prevention, control activities, or a program to prevent the intrusion of foreign objects into open equipment. Good practices transferable from Dukovany to other power plants were identified in two areas: a method for turbine oil checks in the field of chemistry and a system of action cards during a fire alarm in fire protection.

Inspections of welded joints by means of radiological and ultrasound tests continued at the Dukovany Nuclear Power Plant in the first half of 2017 (as follow-up to a decision to carry out special inspections of all welded joints at selected equipment). A total of 7,195 welds were checked in the first half of 2017.

Temelín Nuclear Power Plant

Safeguard, an exercise of the Armed Forces of the Czech Republic, took place at the Temelín Nuclear Power Plant in April 2017 with the aim of practicing the external protection of the power plant against an imminent terrorist attack, both ground and aerial. The exercise included response to three simulated terrorist attacks and all security forces participating in the protection of the nuclear power plant took part in it over time.

Inspections of welds by means of radiological and ultrasound tests continued at the Temelín Nuclear Power Plant in the first half of 2017 (as follow-up to a decision to carry out special inspections of all welded joints at selected equipment). The total number of welds checked from the beginning of 2017 to July 19, 2017, was 1,033 at Unit 2 (during a routine outage) and 261 at Unit 1 (during unit operation). This completed planned inspections at Unit 2; inspections of welded joints at Unit 1 are being prepared and will be carried out during the next routine outage.

Heat Generation and Sales

In the first six months of 2017, a total of 10,268 TJ of heat was supplied to customers from CEZ Group’s facilities in Czechia, which represented a 1% increase over the same period of 2016 (i.e., increase of 102 TJ).

The 2017 heat generation is expected to amount to 17,880 TJ.

Capital Construction

Nuclear Facilities

Dukovany Nuclear Power Plant

At the Dukovany Nuclear Power Plant, work continued on projects started in previous years, focusing on the enhancement of nuclear safety and equipment renovation. Preparatory, implementation, and completion work was also initiated under capital construction projects relating to upgrading, stabilizing, securing, and improving the efficiency of generation in relation to the planned extension of operation.

Temelín Nuclear Power Plant

At the Temelín Nuclear Power Plant, work continued in the first half of the year on projects started in previous years, undertaken primarily to enhance nuclear safety and renovate equipment.

New Nuclear Units at Dukovany and Temelín

Newly established companies Elektrárna Dukovany II, a. s. and Elektrárna Temelín II, a. s. approved their business plans for new nuclear power plants (NNPPs) at both sites, which are defined by their budgets for 2017 and action plans. They must be implemented in order to be able to commission the NNPPs within the period specified in the current National Action Plan (NAP) for the development of nuclear energy in Czechia as approved by the Czech government.

At Dukovany, consultation meetings were held with potential contractors, geological and hydrogeological surveys of the intended construction site in Dukovany and its neighborhood continued, and environmental surveys were carried on in a number of areas that might be affected during the construction or operation of the NNPP. In addition, detailed environmental impact assessment (EIA) documentation was finished and will be submitted to the Ministry of the Environment of the Czech Republic (MoE) in the second half of 2017. The screening and scoping procedure began with the publication of documents on the MoE’s website on August 8, 2016. That was the starting date of a commenting procedure, under which all citizens from Czechia and abroad could comment on the intended construction of a new unit at the Dukovany NPP.

Necessary preparatory activities continued at Temelín, in particular the implementation of conditions defined in the issued EIA statement and the issued siting permit for the Temelín II NNPP. Preparation of documentation was started for filing an application for the extension of the validity of the EIA statement, consultation meetings were held with potential contractors, and work continued on the preparation of related and induced investments and in some cases their implementation and, last but not least, the preparation of an updated precontract with ČEPS for the connection of the Temelín II NNPP to the transmission system. At the same time, work is carried out within working groups established under the standing committee on nuclear energy, with participation by members of the Temelín NNPP project team.

The government committee on nuclear energy held its June 15 meeting at the Dukovany NPP in the presence of the prime minister; at the meeting, it discussed documents pertinent to tasks resulting from the NAP and set an assignment to carry on the preparation of the projects, including the commencement of preparation of a tender specification. The standing committee on nuclear energy also approved a short list of investment models for further analysis, approved recommended further steps in the transportation of heavy and bulky components, acknowledged the limits of the Dukovany and Temelín sites, and approved 3 best variants for the construction of new units:

1. The investor is an SPV as a 100% subsidiary of ČEZ (alternatively with a minority share held by an EPC contractor)
2. Purchase of 100% of the SPV by the Czech state (alternatively with a minority share held by an EPC contractor)
3. Purchase of a portion of ČEZ, consisting of its NNPP projects and its operated nuclear power plants, by the Czech state

Coal-Fired Facilities

Construction of a New 660MW Unit at the Ledvice Power Plant

The Preliminary Acceptance Certificate (PAC) for the power island was signed on May 12, 2017, after all contractual terms were met.

Technical modifications (redesign) were made to precipitators during an outage lasting from May to August to meet required dust emission limits applicable after 2020. The outage was also used to remedy notified deficiencies.

Hydro Power Plants

Capital investment projects were being completed during the first half of 2017, focusing on equipment upgrades and generation efficiency improvements, such as the general overhaul of turbine generator 1 at the Lipno Power Plant. Furthermore, preparatory and implementation work on major capital investment projects was carried out (replacing the runner of turbine generator 2 at Dlouhé Stráně, upgrading the instrumentation and control system at Lipno 1, or overhauling turbine generator 4 at Kamýk).

Installed Capacity

As at June 30, 2017, CEZ Group operated generating facilities with a total installed capacity of 12,762 MW in Czechia (nuclear power plants: 4,290 MW; coal-fired power plants, heating plants, and CCGT plants: 6,378 MW; hydroelectric and pumped-storage plants: 1,960 MW; photovoltaic: 125 MW; and other power plants: 9 MW).

In comparison to June 30, 2016, the total installed capacity at Prunéřov decreased by 300 MW. As the comprehensive renovation of the Prunéřov II Power Plant was completed, the installed capacity of units B23–B25 was increased by 3 x 40 MW; in contrast, the decommissioning of the remaining units B21–22 resulted in a decrease in installed capacity of 2 x 210 MW.

Furthermore, the installed capacity decreased by 289 MW in connection with the sale of the coal-fired Tisová Power Plant (Tisová I + Tisová II).

Among renewables, the Energy Regulatory Office's decision adding two new vortex turbines 2 x 150 kW to the electricity generation license of the Želina hydroelectric power plant entered into effect on January 19, 2017.

Selected Information Concerning the Performance of Generation Segments

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Electricity generation	GWh	29,630	29,573	201	190	29,830	29,763
Heat supply	TJ	10,166	10,268	-	-	10,166	10,268
Installed capacity	MW	13,150	12,561	201	201	13,351	12,762

Electricity Generation Outlook for 2017

The 2017 production of CEZ Group's facilities in Czechia is expected to be almost 61 TWh. Nuclear power plants are expected to generate 28.5 TWh, with a positive year-on-year effect of shorter outages at the Temelín NPP. Gas-fired and CCGT power plants together with generation from coal are expected to generate 29.4 TWh and, besides, other facilities are expected to generate 3 TWh. Lower generation at coal-fired power plants is expected due to the sale of the Tisová power plant, lower operation at the Dětmarovice power plant (increased price of hard coal), and lower operation at Prunéřov (emission ceilings). By contrast, higher generation is expected at the new Ledvice 4 Power Plant unit. An increase in generation is expected from the Počerady CCGT plant.

Distribution

Electricity Distribution

CEZ Group's electricity distribution business in the Czech Republic is taken care of by ČEZ Distribuce, a. s., which distributed 18.3 TWh of electricity to customers in H1 2017. This represents an increase of 0.7 TWh over the comparable period of the previous year. Supplies at the high-voltage and medium-voltage levels increased by 0.5 TWh due to higher consumption by corporate customers. An increase of 0.2 TWh at the low-voltage level was primarily due to an increase in the number of customers using electricity for heating.

In order to meet EU-wide rules liberalizing the electricity market, CEZ Group became the first energy market player in Czechia that fully separated the provision of customer services for sales customers and distribution customers.

An innovation—using drones to inspect medium-voltage power lines—was tested in the Pilsen Region in May. The inspection focused on seeking and locating damaged insulation in the upper part of power lines, which is hard to identify by visual inspection from the ground. Drones proved practical during the pilot project.

ČEZ Distribuce's second technical consulting point (customer care center) opened in Ostrava in early April.

Capital Construction

ČEZ Distribuce's capital expenditures in H1 2017 went mostly into distribution networks at all voltage levels as well as into transformer station reconstructions. Construction projects requested by customers were also carried out.

Electricity Distribution Outlook for 2017

ČEZ Distribuce expects to supply 36 TWh of electricity to customers in 2017.

The Distribution segment in Czechia is currently undergoing major structural changes in response to the legislative and regulatory requirements getting stricter in Czechia and the European Union. The project, which merges the distributor with its service companies (Distribution Segment Redesign), is also aimed at increasing operational efficiency with an impact on cuts in operating costs. Stage 3 of this project will be undertaken in 2017 so that the entire project is fully completed by January 1, 2018.

Sales

Sales of Electricity and Gas

CEZ Group offered end-use customers in Czechia the following commodities and related services in H1 2017 (through the following companies):

- Electricity (ČEZ Prodej, ČEZ, Elektrárna Počerady, Elektrárna Dětmarovice, Energotrans, Energetické centrum, and Energocentrum Vítkovice)
- Natural gas (ČEZ Prodej, ČEZ Energetické služby)
- Heat/thermal energy (ČEZ Teplárenská, ČEZ, Energetické centrum, ČEZ Energetické služby, Energotrans, Energocentrum Vítkovice, Elektrárna Počerady, and Elektrárna Dětmarovice)
- Electricity distribution provided by a licensed entity (ČEZ Distribuce) that is subject to unbundling

Customers in Czechia can order electricity and natural gas as supplies of the commodity alone (Electricity/Natural Gas Supply Contract) and purchase distribution services directly from a competent distributor under a separate Distribution Service Contract. However, the much more frequent form is “integrated supply” under an Integrated Supply Contract for the commodity in question, under which ČEZ Prodej not only supplies the commodity to the customer but also arranges for the provision of distribution services by a distributor according to the rules specified by law.

In order to meet EU-wide rules liberalizing the electricity market, CEZ Group became the first energy market player in Czechia that fully separated the provision of customer services for sales customers and distribution customers. Concurrently with the separation, ČEZ Prodej launched a new information system that will, moreover, better address its needs resulting from the expansion of its range of products offered to customers.

In the wake of the migration of customer service for the distributor’s clients to ČEZ Distribuce, ČEZ Prodej merged with ČEZ Zákaznické služby on July 1. The core business activity of ČEZ Zákaznické služby was providing comprehensive services for ČEZ Prodej’s end-use customers (customer service, billing, administration of claims, recovery of claims, etc.). The merger aims to enhance efficiency in the provision of the above-mentioned services.

Sales of Services and Energy Solutions in Decentralized Energy

ČEZ ESCO, a member of CEZ Group, consolidates the Group’s expert and sales capacity in energy savings, decentralized sources, lighting, and other energy products. It concentrates on creating integrated offers for business (corporate) customers, small and midsize businesses, and the public sector. It offers solutions to customers’ energy needs especially at the decentralized level with emphasis on new technologies, efficient use of energy, and integrated product offers. ČEZ ESCO’s guiding principle is preparing turnkey solutions and services for its customers.

The individual products and services are provided by subsidiaries of ČEZ ESCO: ČEZ Energo, ČEZ Energetické služby, EVČ, ENESA, ČEZ Solární, Energocentrum Vítkovice, AZ KLIMA, ČEZ LDS. Its new subsidiary ČEZ Bytové domy (established on June 14) will focus on deliveries of comprehensive turnkey energy solutions for multi-dwelling residential buildings in the field of heat, hot water, and electricity. Its offerings are also expected to include new technologies such as photovoltaic installations with batteries, condensing gas boiler installations, heat pumps, regulation of heat from central sources, air-conditioning, or smart electricity meters.

ČEZ ESCO keeps expanding its activities with a focus on commercial products and services under the Electromobility project, for which business opportunities have been defined and are further developed.

ČEZ ESCO’s major contracts in 2017:

- Jaguar Land Rover—AZ KLIMA won a contract on the construction site of a Jaguar Land Rover plant in Slovakia (designing and building HVAC for an assembly hall at a newly constructed automotive plant)
- Comprehensive modernization of technology at the Prague Congress Center (a contract of ENESA)
- Hyundai Dymos Czech—Smart lighting now allows saving 70% of electricity in a Hyundai Dymos Czech hall at Nošovice (a contract of ČEZ Energetické služby)
- SPOLCHEMIE, a chemical company—ČEZ Energetické služby completed a large contract consisting in the construction of the plant’s new high-voltage power supply

- Třinec—With its Smart City project, Třinec became a leader in electric urban mobility, including proper recharging and a necessary transformer station (its 10 electric buses are the biggest fleet in operation in Czechia)
- LOGIT, a textile company—Reconstruction of lighting in 5 halls involving 859 lighting points (all investments will be repaid through energy savings in 74 months)

Sales of Telecommunications, Insurance, and Other Services

ČEZ Prodej is a fully-fledged mobile virtual network operator (MVNO) with its own offer of "MOBILE FROM ČEZ" products. Classified as a medium-sized MVNO by the scope of services it provides, ČEZ Prodej's more than 75,000 active SIM cards make it one of the largest MVNOs in Czechia.

Insurance and assistance services were used by more than 230,000 customers as of June 2017.

Outlook for Sales of Electricity, Natural Gas, and Decentralized Energy Solutions in 2017

CEZ Group expects a decrease in electricity supplies in the large customers and commercial retail segments in 2017. In contrast, supplies for the residential customers segment are expected at the same level as in 2016 despite a significant market recovery and households' higher interest in changing the energy supplier. CEZ Group offsets this impact primarily by proactively expanding its product offer for end-use customers, as well as through optimizing its retention activities and continuing to acquire new customers.

CEZ Group expects a positive development in the natural gas market during remaining months of 2017 and plans to increase the volume supplied to its end-use customers in Czechia over that of 2016, primarily in the commercial retail segment.

In line with its approved strategy, ČEZ ESCO will pursue additional acquisition opportunities in Czechia and abroad. The new company ČEZ Bytové domy will prepare integrated offers of technological solutions.

Innovation Projects

Investments in New Technologies

Inven Capital, investiční fond, a.s. is a qualified investor fund established by ČEZ in order to seek out investments in smaller to medium-sized innovative businesses operating in Europe's new energy sector. It is interested in fields such as energy efficiency, distributed energy production, energy storage and flexibility in energy production, data services for the energy sector, clean transportation, smart cities and so on. It focuses primarily on growth investment opportunities in later-stage growth with a sound business model proven by sales and with considerable growth potential. In addition to financial return on investment, Inven Capital provides CEZ Group with access to unique technologies of global importance and to business models that already affect or will significantly affect, sooner or later, the energy sector in Czechia and neighboring countries. Moreover, the Group uses the products of new companies in Inven Capital's portfolio for its customers. ČEZ actively collaborates with Inven Capital's portfolio companies—an example of such collaboration is the introduction of sonnen's batteries to the Czech market through ČEZ ESCO and ČEZ Prodej.

The Inven Capital fund's team reviews up to 500 potential investment opportunities from all around Europe every year, of which approximately 10% get into a detailed analysis stage and 2 or 3 per year are carried through.

In H1 2017, Inven Capital added CLOUD & HEAT Technologies GmbH based in Dresden, Saxony, to its portfolio. The company designs, builds, and operates the most energy- and cost-efficient distributed and centralized data centers deploying water-cooled servers whose waste heat is used to heat buildings and hot water, which allows their data centers to achieve globally record-breaking energy efficiency, have 60% lower energy costs, and 15% lower total costs than traditional air-cooled solutions.

Moreover, Inven Capital became a member of Invest Europe in 2017. This is a nonprofit organization associating private equity firms, venture capital providers, and businesses from infrastructure sectors. It also became a member of the Czech Private Equity and Venture Capital Association (CVCA).

Electromobility

The price of the Electromobility service was raised in early 2017. This brought the price of recharging at ČEZ's public stations closer to the real costs. As at June 30, 2017, the number of operated charging stations was 74, including 27 ultrafast charging stations (DC charging stations) and 47 normal charging stations. CEZ Group signed a memorandum of cooperation with Avanza concerning the testing of modern digital technologies, especially for charging station transactions. The number of project partners among public and regional authorities increased, for example, with the town of Louny, as did the number of organizations participating in the construction of charging stations.

ČEZ ESCO actively stepped into the market in electric bus transportation and infrastructure. The first project is for the development of electric bus transportation in Třinec, where ČEZ ESCO took care of the construction and connection of 10 charging stations at the site of the operator, ARRIVA MORAVA. The output of each of the charging stations is 40 kW. Electric buses are recharged overnight.

Promoting Innovation

Another round of the Smart Energy program started in H1 2017 at Rockstart, a Dutch startup accelerator. This is the second year of the program with ČEZ as a partner. It helped choose the best 9 startups from the energy sector for the accelerator this year. Once again, the startups will build their know-how and capabilities under the six-month program to be able to succeed in the market when the program ends. Their efforts will climax in September with final presentations during the Smart Energy Demo Days.

CEZ Group in Poland

Business Environment in the Energy Sector

The Polish energy market is almost fully liberalized. Wholesale market prices are based on market conditions. Only electricity tariffs for residential customers and distribution charges are regulated. Prices in the heat market are based on a tariff system and require annual approval by the Energy Regulatory Office.

Amendments to the Renewables Act proposed in 2017 are expected to result in changes concerning a new system for the calculation of state aid, new auction baskets, redefinition of hybrid technologies, and greater support for small units.

An act on investment in wind farms, related to the development of the wind energy sector, came into effect on July 16, 2016. The act introduced rules for the minimum distance between a wind turbine and residential houses or sites of high natural value, which must be equal to or greater than ten times the wind turbine height. The law poses a threat to the implementation of wind farm projects throughout Poland, including CEZ Group's projects developed by Eco-Wind Construction. The act was amended in mid-2017 to incorporate commentaries from its notification to the European Commission. The amended act is expected to be passed by the end of Q3 2017.

In the area of energy efficiency, legislation was adopted with the aim of promoting energy savings. Reducing energy consumption will be supported by a system of white certificates.

Generation

Electricity Generation

CEZ Group's coal-fired power plants in Poland generated 1,251 GWh of electricity in H1 2017, i.e., 98 GWh (-7%) less than in the same period of 2016. The Borek Szlachecki small hydropower plant with an installed capacity of 885 kW generated 1.9 GWh of electricity and the Skawinka small hydropower plant generated 3.2 GWh of electricity by June 30, 2017.

Heat Generation

The Chorzów and Skawina power plants in Poland supplied 3,470 TJ of heat in H1 2017, i.e., 205 TJ (6%) more than in the same period of 2016.

Capital Construction

The largest portion of capital expenditures went to an overhaul and upgrade of turbine generator No. 5 at the Skawina Power Plant.

Installed Capacity

As at June 30, 2017, CEZ Group companies in Poland owned generating facilities with a total installed capacity of 680.9 MW: 678.4 MW in coal-fired power plants and 2.5 MW in hydroelectric power plants.

Selected Information Concerning the Performance of Generation Segments

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Electricity generation	GWh	1,354	1,256	-	-	1,354	1,256
Heat supply	TJ	3,265	3,470	-	-	3,265	3,470
Installed capacity	MW	681	681	-	-	681	681

Electricity Generation Outlook for 2017

CEZ Group power plants in Poland are projected to generate 2.8 TWh of electricity in 2017.

Sales

Sales of Electricity and Natural Gas

Electricity and natural gas are sold to end-use customers in Poland by CEZ Trade Polska sp. z o.o. The company supplied 1,457 GWh of electricity to its large and commercial retail customers in H1 2017, which is a year-on-year increase of 540 GWh due to successful acquisition of new customers. The company supplied 180 GWh of natural gas to its customers in H1 2017 (the H1 2016 supplies were 30 GWh).

Electricity and Natural Gas Sales Outlook for 2017

The total amount of electricity supplied in 2017 is estimated at 2.8 TWh. The estimated amount of natural gas supplies in 2017 is 0.3 TWh.

Heat Sales Outlook for 2017

Heat sales are expected to total approximately 5,800 TJ in 2017.

CEZ Group in Bulgaria

Business Environment in the Energy Sector

Customers have been able to choose their energy supplier in the open market and make a contract for supplies at unregulated prices since 2016. Yet, households and businesses connected to the low-voltage grid largely keep their protected customer status and are generally supplied with energy at regulated prices set by the regulatory authority—the Energy and Water Regulatory Commission (EWRC). The successful completion of liberalization is put at significant risk by lack of secondary legislation, a limited portfolio of products on the Independent Bulgarian Energy Exchange (IBEX), the existence of cross subsidization, and the government's pressure on keeping residential energy prices low.

Generation

Electricity Generation

The only facility generating electricity in H1 2017 was the Oreshets photovoltaic power plant, which generated 3.2 GWh of electricity, representing an increase of 4% over the same period of H1 2016.

The Bara biomass gasification power plant was not put into commercial operation after support in the form of a feed-in tariff for biomass-to-electricity projects was abolished.

Capital Construction

No capital investment in electricity generation was made in H1 2017.

Installed Capacity

CEZ Group has an installed capacity of 1,266.7 MW in Bulgaria: 1,260 MW in the coal-fired Varna Power Plant (operation suspended since January 1, 2015), 5 MW in the Oreshets photovoltaic power plant, and 1.7 MW in the Bara Group's biomass gasification power plan.

Selected Information Concerning the Performance of Generation Segments

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Electricity generation	GWh	-	-	3.1	3.2	3.1	3.2
Heat supply	TJ	-	-	-	-	-	-
Installed capacity	MW	1,260.0	1,260.0	6.7	6.7	1,266.7	1,266.7

Electricity Generation Outlook for 2017

The photovoltaic Oreshets Power Plant is expected to generate 6.2 GWh of electricity in 2017.

Electricity Distribution

On July 1, 2017, the EWRC issued a price decision with effect from July 1, 2017 to June 30, 2018. The price decision does not anticipate the residential market to become completely open, at least not until the end of the regulatory period. Regulated prices of residential electricity slightly increased, primarily due to an increase in the regulated price of electricity to cover technical losses in the distribution grid.

Electricity is distributed in Bulgaria by CEZ Razpredelenie Bulgaria AD, which distributed a total of 4,976 GWh of electricity to end-use customers in H1 2017, i.e., 284 GWh (6.1%) more year-on-year.

Capital Construction

Distribution CAPEX went primarily to improving distribution grid quality, replacing electricity meters, critical infrastructure in Sofia, and new connections to the distribution grid. Furthermore, capital expenditure was used for mandatory buyouts of distribution assets.

Sales

Electricity Sales

On March 19, 2014, the Bulgarian regulatory authority EWRC initiated a procedure for revoking the electricity trading license of CEZ Elektro Bulgaria. The initiation of the procedure was the result of Bulgarian authorities' long-term inactivity in matters concerning RES support regulation in 2012 and 2013. There is no current progress in the procedure in spite of constant appeals for its cessation, including interventions by the European Commission.

CEZ Elektro Bulgaria AD sold a total of 3,255 GWh of electricity to end-use customers in H1 2017, which was a year-on-year decrease of 31 GWh (1%).

CEZ Trade Bulgaria EAD sold 1,826 GWh of electricity to end-use customers in the free market in H1 2017, i.e., approximately 300 GWh more year-on-year. The increase was due to successful acquisition of new customers switching from the regulated market to the free market. Proactive market activities will continue, including the provision of energy services to customers.

Electricity Sales Outlook for 2017

We expect CEZ Elektro Bulgaria AD to sell 6.1 TWh of electricity and CEZ Trade Bulgaria to sell 3.8 TWh of electricity in 2017.

CEZ Group in Romania

Business Environment in the Energy Sector

The energy market in Romania is undergoing gradual liberalization. Market liberalization in the corporate customer segment was completed in 2013 and should be completed for residential customers on December 31, 2017.

Renewable generation in Romania is supported through "green certificates." The Romanian government amended the renewables support program in July 2013, with the result that the negotiability of a portion of allocated green certificates was deferred. On March 31, 2017, the Romanian government adopted a new renewables support program in the form of a government ordinance. As a result of the new enactment, the expiration period of green certificates was extended from one year to 15 years, the price of green certificates was fixed, and the period of negotiability of previously deferred certificates as well as the period for which such certificates will be reallocated was extended to eight years starting from January 1, 2018. The government ordinance is valid and effective but requires formal approval by the Romanian Parliament. The Senate approved it without amendments and the law is now debated in the Chamber of Deputies.

The new general support program was approved by the European Commission on December 16, 2016.

Generation

Electricity Generation

The Fântânele and Cogealac wind farms are entitled to be part of the renewable generation support program in accordance with applicable legislation and get green certificates for the electricity they generate. For 2017, this means support amounting to 2 green certificates—one allocated and one deferred up to March 31, 2017 and both certificates allocated from April 1, 2017 to December 31, 2017.

The Fântânele and Cogealac wind parks generated 654 GWh of electricity in H1 2017, which represented a year-on-year increase of 87 GWh. The year-on-year increase is due to reasons occurring in the first half of 2016, when there were worse wind conditions and generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission system.

Small hydropower plants operated by TMK Hydroenergy Power S.R.L. at Reşiţa generated 43 GWh of electricity.

Capital Construction

Minor capital expenditures were made in respect of the Fântânele and Cogealac wind parks. No capital expenditure was made at hydroelectric power plants operated by TMK Hydroenergy Power S.R.L. in H1 2017.

Installed Capacity

At June 30, 2017, CEZ Group companies in Romania owned generating facilities with an installed capacity of 622 MW (600 MW in wind parks, 22 MW in hydro plants).

Selected Information Concerning the Performance of Generation Segments

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017
Electricity generation	GWh	-	-	616	697	616	697
Heat supply	TJ	-	-	-	-	-	-
Installed capacity	MW	-	-	622	622	622	622

Electricity Generation Outlook for 2017

The annual amount expected to be generated in 2017 is 1.3 TWh for wind parks and 0.1 TWh for hydropower plants.

Electricity Distribution

CEZ Distributie was renamed to Distributie Energie Oltenia S.A. with a new Distributie Oltenia logo in accordance with regulatory requirements on January 3, 2017. On the same day, telephone lines of CEZ Vanzare and CEZ Distributie Energie Oltenia customer care centers were physically separated as required by legislation.

Tariffs for the regulated distribution and sales segment effective from January 1, 2017, were published by the Romanian regulatory authority in December 2016. The Romanian regulatory authority decreased the company's average distribution tariff year-on-year once again, by 4.5%. The tariffs were decreased for the second time in a row, as the regulatory authority decreased distribution prices by 11% on average in the previous year. The price decreases are due to lower-than-planned inflation and decreasing prices of electricity. The price decision takes no account of a favorable decision of the court of first instance concerning the 2013 appeal of Distributie Energie Oltenia S.A. against negative correction in the past regulatory period. The case is still pending and is now before court of second instance.

Distributie Energie Oltenia S.A. distributed a total of 3,298 GWh of electricity in H1 2017, registering a year-on-year increase of 135 GWh.

Capital Construction

Capital expenditures went primarily into distribution assets and new electricity meters.

Sales

CEZ Vanzare S.A. sold 1,714 GWh of electricity to end-use customers in H1 2017, which was a year-on-year increase of 69 GWh.

Electricity Sales Outlook for 2017

The total annual sales of electricity to end-use customers are expected to amount to 3.3 TWh.

CEZ Group in Turkey

Business Environment in the Energy Sector

Transmission charges legislation was amended during the first half of the year, which will result in another increase. Other legislation amendments concerned modifications to power tariffs components for protected customers preventing an increase, which will result in a decrease in revenues.

The prices of electric power in Turkey increased in H1 year-on-year, primarily due to greater demand.

In electricity distribution and sales, negotiations were held with the regulatory authority during H1 2017 over factoring in new additional costs resulting from legislation.

The lira kept going down early in the year but started to rise in late April 2017. Now its exchange rate with USD is stabilized at approximately the same level as at the beginning of 2017. The return of the lira to values from the beginning of the year was probably affected by the “normalization” of the political situation in the country after its referendum on constitutional amendments.

Generation

Electricity Generation

The total electricity production of the Akenerji group in H1 2017 was 2,437 GWh, including 354 GWh generated by hydropower plants, 2,050 GWh by gas-fired plants, and 33 GWh by wind parks. This is an increase of 727 GWh from 2016, when 1,710 GWh was generated in H1 (607 GWh by hydropower plants, 1,082 GWh by gas-fired plants, and 21 GWh by wind parks).

Capital Construction

TRY 23.6 million (approx. CZK 154 million) was invested in electricity generation, primarily to increase capacity for the management of secondary voltage frequency control at the Egemer CCGT plant.

Installed Capacity

Electricity is generated by Akenerji Elektrik Üretim A.Ş. and its subsidiaries. Akenerji operates one modern CCGT plant, seven hydroelectric power plants, and a wind park. The installed capacity of power plants co-owned by CEZ Group in Turkey totals 1,221.1 MW, with 288.9 MW in hydro plants, 904 MW in CCGT plants, and 28.2 MW in wind parks. A year-on-year increase of 13.2 MW is the result of expansion of the Ayyıldız wind park.

Electricity Generation Outlook for 2017

The total amount of generated electricity is expected to be 5 TWh. A year-on-year increase is derived from expected increased generation by the CCGT plant.

Electricity Distribution

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dagıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through their joint venture Akcez Enerji A.Ş.). The amount of electricity distributed to end-use customers in H1 2017 was 4,435 GWh, which was an increase of 2.2% over the same period of 2016.

Capital Construction

TRY 39.3 million (approx. CZK 257 million) was invested in distribution. The investments were primarily aimed at increasing grid capacity and efficiency.

Sales

Sakarya Elektrik Perakende Satis A.Ş. (SEPAŞ), a sales company controlled through the joint venture Akcez Enerji A.Ş., sells electricity to end-use customers mostly in the SEDAŞ distribution area. The amount of electricity sold in H1 2017 was 4,936 GWh, which was a 17.6% increase year-on-year. The increase was due partially to higher demand and partially to acquiring new eligible customers.

Electricity Distribution and Sales Outlook for 2017

The expectations for 2017 are 9 TWh of electricity distributed and 10 TWh of electricity sold.

Note: The Turkish companies are consolidated using the equity method, so neither their generation nor their installed capacity is included in CEZ Group’s aggregate figures.

CEZ Group in Germany

Business Environment in the Energy Sector

Expansion of renewable energy sources is one of the main pillars of Germany's energy transition to low carbon and sustainable energy—the Energiewende—based primarily on energy savings and renewables. The share of renewable sources in electricity generation is growing constantly; it already exceeded 37% in the first half of 2017, with most of the electricity generated by onshore and offshore wind turbines and photovoltaic installations. According to adopted federal targets, the share of renewables in total electricity generation is intended to be increased to 40–45% by 2025 and 55–60% by 2035. At the same time, Germany wants to cut its greenhouse gas emissions by 80–95% from the 1990 baseline by 2050.

An amendment to the Renewable Energy Sources Act (Erneuerbare Energien Gesetz) entered into effect on January 1, 2017, introducing competitive auctions as a tool for cost-effective construction of new onshore and offshore wind farms, new solar installations, as well as biomass-to-energy plants. The determining criterion for receiving support is submitting the lowest bid. At the same time, the Offshore Wind Energy Act (Gesetz zur Entwicklung und Förderung der Windenergie auf See) entered into effect on January 1, 2017, providing a regulatory framework for receiving support for the operation of offshore wind farms.

Generation

Electricity Generation

Electricity was generated by wind parks—the Fohren-Linden park and 8 parks from the wpd portfolio located in various German federal states—acquired in late 2016. These parks generated 97 GWh of electricity in H1 2017.

In June 2017, CEZ Group concluded another acquisition of onshore wind turbines with a total installed capacity of 35.4 MW. These are 14 operated turbines located on a single site of Lettweiler Höhe in Rhineland-Palatinate.

In April 2017, CEZ Group became a member of BDEW (Bundesverband der Energie- und Wasserwirtschaft), a leading German professional association dealing with a range of energy-related topics, not only in renewables.

Capital Construction

There was no capital construction in Germany in H1 2017.

Installed Capacity

At June 30, 2017, CEZ Group companies in Germany owned onshore wind parks with a total installed capacity of 98.1 MW.

Electricity Generation Outlook for 2017

CEZ Group power plants in Germany are projected to generate 0.2 TWh of electricity in 2017. Furthermore, CEZ Group focuses on active asset management in renewables. The most efficient concept seems to be a "hybrid" system of operation and maintenance, which makes partial use of both in-house and external resources. This concept is in full accordance with strategies implemented by large European utilities.

Energy Services and Technological Solutions

CEZ Group entered the German market in ESCO services in July 2017 by announcing its acquisition of Elevion, a Thuringia-based company, from DPE Deutsche Private Equity. Elevion is a leading provider of comprehensive energy solutions for large industrial and building enterprises, cities, and local authorities and a well-established brand in the German market with annual sales of approximately CZK 8 billion. It is primarily engaged in the following segments: building electrical facilities (automation, communications systems, low- and medium-voltage electrics, batteries), building mechanical facilities (ventilation, heating, cooling, CHP), building engineering facilities (engineering services and maintenance, control systems). It has over 1,800 employees and is present in 36 localities. It completes 4,000 ESCO projects a year.

CEZ Group in Slovakia

Electricity and Heat Generation

CEZ Group did not have any more generating capacity in Slovakia in H1 2017. In H1 2016, process steam and electricity were produced at the Slovnaft refinery by CM European Power Slovakia, s. r. o., which belonged to a group of joint ventures of ČEZ and MOL. It delivered 2,468 TJ of heat and generated 250 GWh of electricity in H1 2016. The share in the company was sold in November 2016.

New Nuclear Power Plant (NNPP) at Jaslovské Bohunice

ČEZ Bohunice a.s. holds a 49% share in Jadrová energetická spoločnosť Slovenska, a. s., a company established for the purpose of constructing a NNPP at Jaslovské Bohunice. Preparations for the construction proceed according to the approved schedule and plan for operating budget cuts in line with the approved business plan.

More than 97% of priority land for the construction of the NNPP has been purchased.

Under the “Specifications” preparation process, the technical part of the specifications was prepared in the initial stage. Work on other parts of the Specifications (project organization, business terms and draft contract, financial requirements, instructions for tenderers, terms of contract for nuclear fuel) has been suspended.

The Jaslovské Bohunice NNPP project has been put on hold temporarily. Project continuation will require legislation amendments simplifying the NNPP licensing procedure to enable planning proceedings without identifying specific NNPP technology. The implementation of such simplified planning proceedings would also allow maintaining or even increasing the value of the project while minimizing its financial costs.

Sales

Sales of Electricity and Natural Gas to End-Use Customers

CEZ Slovensko, s.r.o. continued to sell electricity and natural gas to the large customers segment and the small customers segment, i.e. residential and SMB customers, in H1 2017. Total H1 2017 supply in all customer segments amounted to 902 GWh of electricity, an amount similar to that of the same period of 2016, and 1,675 GWh of natural gas with a year-on-year increase of 425 GWh.

Electricity and Natural Gas Sales Outlook for 2017

CEZ Slovensko, s.r.o. currently holds negotiations over the sale of its residential portfolio. It will remain active in the large and small enterprise customers segments in the future, providing energy services in addition to electricity and natural gas sales. The amount of electricity supplied to the large and small customers segments in 2017 is expected to be similar to that of 2016, while the total supplies of natural gas are expected to increase to 3 TWh.

CEZ Group in Other Countries

France

CEZ Group entered France's renewables market in June 2017, when it acquired a portfolio of 9 onshore wind projects from German development firm ABO Wind. The projects, located in six French regions, are in an advanced development stage. Connection to the grid and the first revenues are expected between 2019 and 2022. Up to 101.8 MW of installed capacity can be built in the next 5 years. The power plants have purchasing prices guaranteed for 15 years. CEZ France S.A.S. was established on June 28, 2017. This is a holding company for the above-mentioned projects.

Hungary

Sales of Electricity to End-Use Customers

In Hungary, CEZ Magyarország Kft. (CEZ Hungary Ltd.) sold 596 GWh of electricity to end-use customers in H1 2017, an amount similar to that of the same period of 2016.

Electricity Sales Outlook for 2017

The total amount supplied in 2017 is expected to be similar to that of 2016. Proactive market activities will continue in order to increase the market share.

Shares of MOL Hungarian Oil and Gas PLC (MOL Nyrt.)

CEZ MH B.V., a member of CEZ Group, sold its 7.5% stake in Hungarian petrochemical company MOL Hungarian Oil and Gas PLC. A 7.4% share was divested in a block sale. Because on February 4, 2014, CEZ MH B.V. issued convertible bonds that the holders could exchange for shares of MOL Hungarian Oil and Gas PLC at EUR 61.25 per share from January 25, 2017, to July 21, 2017 incl., the block sale of shares was undertaken simultaneously with early redemption and cancellation of the convertible bonds. Under these two transactions, settled on April 4, 2017, convertible bonds with a nominal value of EUR 463.1 million (i.e., about 98.5% of outstanding bonds at the original nominal value) were redeemed and 7,561,372 shares of MOL Hungarian Oil and Gas PLC (i.e., about a 7.4% share) were sold.

The convertible bonds that remained outstanding after the above-mentioned transactions were mandatorily redeemed on May 16, 2017 in accordance with the bond terms and conditions and subsequently canceled. All remaining shares of MOL Hungarian Oil and Gas PLC held by CEZ MH B.V. were subsequently sold in the free market. At June 30, 2017, CEZ Group did not hold any shares of MOL.

The overall positive effect of the termination of MOL shareholding on CEZ Group's 2017 net income was CZK 4.6 billion.

Serbia

CEZ Group operates on the wholesale electricity market in Serbia.

Netherlands

CEZ Group has no actual business operations in this country. The local subsidiaries are holding or financing companies.

Ukraine

Only one subsidiary exists in the country. Activities of CEZ Group in Ukraine have been terminated. Liquidation of CEZ Ukraine LLC is in progress.

Changes in CEZ Group Ownership Interests

Czechia

- January 1—Company Energie2 Prodej, s.r.o. ceased to exist by a merger with ČEZ Prodej, s.r.o.
- January 2—A 100% stake in Elektrárna Tisová, a.s. was sold
- March 15—The entire 12% stake in ŠKO-ENERGO, s.r.o. was transferred from ČEZ, a. s. to ČEZ ESCO, a.s.
- March 15—The entire 5% stake in ŠKO-ENERGO FIN, s.r.o. was transferred to ČEZ ESCO, a.s.
- June 14—ČEZ Bytové domy, s.r.o. was established, with a 51% stake held by ČEZ ESCO, a.s.
- June 27—The stake of ČEZ, a. s. in VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s. increased from 39.25% to 41.87% when a decrease in the company's stated capital was registered
- July 1—ČEZ Zákaznické služby, s.r.o. ceased to exist by a merger with ČEZ Prodej, s.r.o., whose form changed from a limited liability company to a joint-stock company at the same date

Bulgaria

- March 24—New company CEZ ESCO Bulgaria EOOD was registered in the Commercial Register; the company is wholly owned by CEZ Bulgarian Investments B.V.

France

- June 28—CEZ France S.A.S. was established; its sole shareholder is German company CEZ Erneuerbare Energien Beteiligungs GmbH
- July 7—Ferme Eolienne des Breuils S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne des Grands Clos S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de Saint-Aulaye S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de Seigny S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de Saint-Laurent-de-Céris S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de Thorigny S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de la Piballe S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne du Germancé S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.
- July 7—Ferme Eolienne de Neuville-aux-Bois S.A.S. was bought; its sole shareholder is French company CEZ France S.A.S.

Germany

- April 7—wpd Windparks Luv GmbH was renamed to CEZ Windparks Luv GmbH
- April 7—wpd Windparks Lee GmbH was renamed to CEZ Windparks Lee GmbH

- April 7—wpd Windparks Nordwind GmbH was renamed to CEZ Windparks Nordwind GmbH
- April 26—An increase of the stated capital of CLOUD & HEAT Technologies GmbH, by which Inven Capital, investiční fond, a.s. acquired a 14.27% share in the company's stated capital, was registered in the Commercial Register
- July 4—CEZ ESCO I GmbH was established; its sole member is Dutch company CEZ ESCO Poland B.V.

Poland

- May 15—Farma Wiatrowa Leśce sp. z o.o. (in liquidation) ceased to exist
- May 19—Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o. (in liquidation) ceased to exist
- May 20—Elektrownie Wiatrowe Lubiechowo sp. z o.o. (in liquidation) ceased to exist
- May 25—Mega Energy sp. z o.o. (in liquidation) ceased to exist
- May 25—Baltic Green VII sp. z o.o. (in liquidation) ceased to exist
- June 22—Baltic Green Construction sp. z o.o. sold its stake in Baltic Green X sp. z o.o. to another CEZ Group member; the new 100% owner is CEZ Chorzów S.A.

Romania

- January 3—As part of its rebranding, CEZ Distributie S.A. was renamed to Distributie Energie Oltenia S.A.

Shareholders' Meeting of ČEZ, a. s.

The 25th annual shareholders' meeting of ČEZ, a. s. was held on June 21, 2017. Among other things, the shareholders' meeting:

- Heard the Board of Directors' Report on the Company's Business Activities and Assets for 2016, the Summary Report pursuant to Section 118(9) of the Capital Market Undertakings Act, Conclusions from the Related Parties Report for 2016, the Supervisory Board's Report, and the Audit Committee's Report on the Results of Its Activities
- Approved the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for the year 2016
- Approved the distribution of the 2016 profit of ČEZ, a. s.
  amounting to CZK 8,834,108,324.78
  and a portion of retained earnings amounting to CZK 8,919,553,722.22 as follows:
  - Share of the profits to be distributed to shareholders (dividend), computed from the total number of issued shares CZK 17,753,662,047.00

  The dividend is CZK 33 per share before tax.
- Decided to amend the Company's bylaws with effect from June 22, 2017
- Appointed Ernst & Young Audit, s.r.o. as the auditor to perform the statutory audit for the accounting period of the calendar year of 2017
- Approved the 2018 donations budget at CZK 130 million
- Elected Václav Pačes as a member of the Supervisory Board
- Elected Jiří Pelák and Tomáš Vyhnánek as members of the Audit Committee

Changes in ČEZ, a. s. Governance Bodies

Supervisory Board

Members of the Supervisory Board elected from among employees:

Vladimír Hronek	Vice-Chairman of the Supervisory Board from February 27, 2015, to April 11, 2017 Reelected on April 27, 2017 Member of the Supervisory Board elected from among employees by the shareholders' meeting with effect from October 1, 2014, to April 11, 2017 Reelected from among employees by the shareholders' meeting with effect from April 12, 2017
Jitka Čermáková	Member of the Supervisory Board elected from among employees by the shareholders' meeting with effect from April 12, 2017
Lubomír Klosík	Member of the Supervisory Board elected from among employees by the shareholders' meeting with effect from April 12, 2017
Josef Suchánek	Member of the Supervisory Board elected from among employees by the shareholders' meeting with effect from April 12, 2017

Members of the Supervisory Board reelected by the shareholders' meeting for another term in office:

Václav Pačes	Chairman of the Supervisory Board from June 27, 2014, to June 21, 2017 Reelected with effect from June 29, 2017 Member of the Supervisory Board from March 20, 2013, to March 20, 2017 Appointed a substitute member for the period until the next shareholders' meeting by the Supervisory Board with effect from March 21, 2017, reelected as a member of the Supervisory Board on June 21, 2017

Audit Committee

Members of the Audit Committee elected by the shareholders' meeting:

Jiří Pelák	Member of the Audit Committee since June 21, 2017
Tomáš Vyhnánek	Member of the Audit Committee since June 21, 2017

Members of the Audit Committee whose membership terminated in H1 2017 or before the half-year report closing date:

Radek Neužil	Member of the Audit Committee from June 19, 2013, to June 19, 2017

Members of the Supervisory Board whose membership terminated in H1 2017 or before the half-year report closing date:

Radek Mucha	Member of the Supervisory Board elected by employees from April 11, 2013, to April 11, 2017
Jiří Novotný	Member of the Supervisory Board elected by employees from April 11, 2013, to April 11, 2017
Drahoslav Šimek	Member of the Supervisory Board elected by employees from June 29, 2006, to April 11, 2017

Board of Directors

Members of the Board of Directors whose membership began in H1 2017 or before the half-year report closing date:

Bohdan Zronek	Member of the Board of Directors since May 18, 2017

Members of the Board of Directors reelected for another term in office:

Daniel Beneš	Chairman of the Board of Directors continuously since September 15, 2011 Last reelected with effect from December 18, 2017 Member of the Board of Directors reelected with effect from December 18, 2017
Tomáš Pleskač	Vice-Chairman of the Board of Directors since June 26, 2017 Member of the Board of Directors continuously since January 26, 2006 Last reelected with effect from January 29, 2018
Ladislav Štěpánek	Member of the Board of Directors reelected with effect from June 28, 2017

Members of the Board of Directors whose membership terminated in H1 2017 or before the half-year report closing date:

Ivo Hlaváč	Member of the Board of Directors from December 19, 2013, to February 28, 2017

Anticipated Changes to the Delegated Authority of Members of the Board of Directors and Board of Directors' Teams Effective September 1, 2017

The position of Chief Generation Officer was renamed to Chief Conventionals Officer as of June 1, 2017 and the position of Chief Nuclear Officer was created as of the same date. Therefore, a change to the delegated authority of members of the Board of Directors is anticipated to be made as of September 1, 2017, making the Chief Nuclear Officer responsible for a safe and efficient use and development of generating facilities, including the management of projects for the construction of new units, using nuclear technology. The Chief Conventionals Officer will be responsible for a safe and efficient use and development of generating facilities using non-nuclear technology.

Another change planned to be made as of September 1, 2017, concerns creating CEZ Group's strategy and strategic plans and reviewing their implementation. Authority in this area will be transferred from the Chief Executive Officer to the Chief Sales and Strategy Officer.

In relation to the above-mentioned changes, the Board of Directors' Operations team will coordinate the entire area of generation, newly including preparations for the construction of new nuclear power plants. The Development team will expand its coordinating role to the area of strategy.

Litigation and Other Proceedings Involving CEZ Group Companies

Litigation

Czechia

ČEZ, a. s.

1. ČEZ, a. s. registers suits related to the implementation of squeeze-outs:
   - Action seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the litigation, the total additional payment could be up to CZK 1,800 million. The outcome of the proceedings is impossible to predict.
   - Action against ČEZ Teplárenská, a. s. seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in United Energy, a.s. The proceedings are pending before the court of first instance; in January 2015, a decision was made to resume the proceedings after a litigation concerning the nullification of a shareholders' meeting was concluded. The possible impact of this action on ČEZ Teplárenská, a.s. or ČEZ, a. s. is impossible to determine at this phase of the proceedings.
2. The receiver appointed to Lignit Hodonín, s.r.o. filed an action against ČEZ, a. s. in August 2010 for damages exceeding CZK 196 million, allegedly resulting from abuse of a dominant position in determining the purchase price of brown coal deliveries and the amount of the maximum discount for faulty performance. ČEZ, a. s. denies the claim in full. At the moment, the receivable is held by Ultra Plus Holding Limited, which acts as the claimant in the proceedings. The outcome of the proceedings is impossible to predict.
3. ČEZ, a. s. and some of its subsidiaries also face 34 litigations initiated by the same plaintiff, Lesy České republiky, s.p. All the actions have the same grounds, namely a claim for compensation for loss caused by the operations of ČEZ, a. s. and its subsidiaries in forest crops in 1997 and 1999–2014. The oldest action is from 1999 and the latest one is from 2016. The total amount claimed is CZK 510 million plus accessories thereof.
4. In July 2013, Mr. Vladimír Juha filed an action against ČEZ, a. s. with the Municipal Court in Prague, in which (after action extension) he is seeking payment of a total of EUR 4 million with accessories thereof. The claims in dispute allegedly arose from a consulting services contract made between ČEZ, a. s. and Boston Capital Services Ltd. in connection with the CET Galati project in Romania in 2009. The claims of Boston Capital Services Ltd. arising from said contract were allegedly assigned to Mr. Juha by an agreement from 2010. Based on Mr. Juha's notice of claim assignment, the court issued a resolution permitting that Mr. Juha be replaced in the case by the Slovak company M 8 Slovakia, spol. s r. o. The court of first instance dismissed the action in full. M 8 Slovakia, spol. s r. o. filed an appeal. The appellate court dismissed the appeal in February 2017 and confirmed the judgment of the court of first instance. The claimant filed a devolutive appeal with the Supreme Court in May 2017.
5. There was a dispute between ČEZ, a. s. and Sokolovská uhelná, právní nástupce, a.s. (SU) over the amount and price of brown coal supplied by SU for ČEZ, a. s. under a long-term purchase contract. SU was questioning the validity of said long-term purchase contract, or more precisely the validity of clauses concerning the purchase price and the amount to be supplied, and claimed that ČEZ, a. s. was acting unlawfully when enforcing said contract. ČEZ, a. s. initiated several lawsuits against SU in connection with the dispute. Those lawsuits were finally concluded, since ČEZ, a. s. and SU made an amicable transaction in 2016 that was settled in early January 2017. Proceedings relating to the above matters were conducted by the Specialized Tax Office, where the case is now in the stage of review by administrative courts.
6. ČEZ, a. s. filed an action against Walo Bertschinger AG, a company having its registered office at Limmatstrasse 73, 8005 Zürich, with the Commercial Court of the Canton of Zurich, Switzerland, in March 2016. The company was a contractor whose work consisted in repairs of the cladding of the upper reservoir of the Dlouhé Stráně hydropower plant. The action seeks repair of defects in the work or, if the defects are not remedied by the defendant as decided, payment of a monetary amount equal to the value of the matter in dispute. The value of the matter in dispute has been calculated as CZK 205 million. The action was delivered to the adverse party, which filed a statement of defense in August 2016, in which it responded to the claim made in the action and

made a counterclaim seeking repayment of a bank guarantee exceeding CZK 17 million together with the payment of default interest as well as the reimbursement of expenses for the allegedly unjustified making of warranty claims, consisting of almost CHF 0.4 million, almost EUR 64,000, and more than CZK 1 million, plus default interest. The first and only court hearing to date, at which procedural issues were dealt with, was held in January 2017. The parties then held amicable negotiations but these were terminated when no agreement could be reached. The litigants' statements are being submitted to the court at the moment. Considering the above, the outcome of the litigation is currently impossible to predict.

7. In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s., the legal predecessor of ČEZ Teplárenská, a.s., submitted an unsecured claim for CZK 191 million, consisting of losses arising from failure to pay for electricity, heat, and raw water supplied, and a claim for nearly CZK 29 million arising from the penalty requested. Both claims were recognized in review hearings that took place in the first half of 2011. The enterprise of the debtor, PLP a.s., was realized for USD 10 million. The proceeds were rendered to the secured creditor in July 2013. The amount of settlement for ČEZ Teplárenská, a.s. in the insolvency proceedings in question, is still zero. The insolvency proceedings have not yet been completed.
8. In November 2016, ČEZ, a. s. filed an action against ŠKODA JS a.s., seeking payment of CZK 611 million with accessories thereof in damages; the claimed amount represents the portion of loss incurred by ČEZ, a. s. to date in the form of lost profits due to wrongly performed radiographic inspections of welded joints at the Dukovany Nuclear Power Plant. In its response to the action, the defendant company rejected the claim of ČEZ, a. s. In June 2017, ČEZ, a. s. sent to the court its replication to the defendant's statement, in which it rejected the defendant's procedural defense and insisted on the action in full. No hearing has been ordered yet. Considering the early stage of the litigation, its outcome is impossible to predict.
9. Eleven tenants of apartments are carrying on a lawsuit against ČEZ, a. s. before the District Court for Prague 4, seeking determination of title to properties in the cadastral district of Písnice (Písnice housing estate). The plaintiffs claim that the owner of the properties is the Czech Republic. The properties in dispute were transferred by ČEZ, a. s. to CIB RENT PÍSNICE s.r.o. in a tendering procedure for an amount CZK 1.3 billion.

ČEZ Distribuce, a. s.

10. In May 2013, ČEZ Distribuce, a. s. was served an action of SPR a.s., seeking payment of CZK 10 million with accessories thereof. The plaintiff's additional submissions successively increased the amount claimed to approximately CZK 180 million. The plaintiff deems its claim to be the loss that it allegedly incurred due to a breach of obligations by ČEZ Distribuce, a. s. in relation to the connection of the Dubí photovoltaic power plant to the distribution grid. The proceedings are pending; the outcome is impossible to predict.
11. The following actions seeking the recovery of unjust enrichment consisting of the electricity distribution price component to cover costs associated with electricity support in relation to local (in-house) consumption that was allegedly incorrectly billed but duly paid by the plaintiffs have been filed against ČEZ Distribuce, a. s.: in August 2015, an action was filed by UNIPETROL RPA, s.r.o. seeking a payment of CZK 303 million with accessories thereof; at the same time an action was filed by ArcelorMittal Ostrava a.s. seeking a payment of CZK 394 million with accessories thereof; in March 2016, an action was filed by Biocel Paskov seeking a payment of approximately CZK 100 million with accessories thereof. The plaintiffs believe that they were not supposed to pay the electricity distribution price component to cover costs associated with electricity support from January 1 to October 1, 2013, and that they were billed for said price component without legal title by ČEZ Distribuce, a. s. The action of ArcelorMittal Ostrava a.s. and the action of UNIPETROL RPA s.r.o. were dismissed by courts of first instance, whose decision are not final yet. The proceedings are pending; their outcomes are impossible to predict.
12. In March 2016, ČEZ Distribuce, a. s. filed an action against OTE, a.s. with the District Court for Prague 8, seeking the recovery of unjust enrichment of almost CZK 1,858 million (with accessories thereof) consisting in the electricity distribution price component to cover costs associated with electricity support being incorrectly billed, but duly paid by ČEZ Distribuce, a. s., in relation to local (in-house) electricity consumption in the period of January 1 to October 1, 2013 (hereinafter "Contribution"). The action results from ambiguous regulation in the period in question, as it is not certain whether or not ČEZ Distribuce, a. s. was required to collect the Contribution from its customers (and transfer it to OTE, a.s.). ČEZ Distribuce, a. s. filed the action to prevent the expiration of the period of limitation applicable to the claim. The court of first instance first

discontinued the proceedings on grounds of lack of competence, claiming that the authority to decide the matter belongs to the Energy Regulatory Office (ERO). The appellate court dismissed this decision on the appeal of ČEZ Distribuce, a. s. and returned the case to the District Court for Prague 8. It discontinued the proceedings on grounds of lack of competence for the second time, which ČEZ Distribuce, a. s. appealed against once again. Now the case is again in the appellate court, namely the Municipal Court in Prague, awaiting its decision on competence. The outcome of the proceedings is impossible to predict. ČEZ Distribuce filed an analogous action for the period from October 2 to December 31, 2013, seeking more than CZK 871 million, which was subsequently increased by ČEZ Distribuce to CZK 3,456 million. The District Court for Prague 8 discontinued the proceedings on grounds of lack of competence, against which ČEZ Distribuce appealed to the Municipal Court in Prague. The outcome of the proceedings is impossible to predict.

13. In September 2016, an action was filed by ČEZ Distribuce, a. s., with the District Court in Mladá Boleslav against ŠKO-ENERGO, s.r.o., seeking a payment of the electricity distribution price component to cover costs associated with electricity support in relation to local (in-house) consumption for the period of April 1 to October 1, 2013 (hereinafter "Contribution"). The amount of the alleged underpayment exceeds CZK 113 million. The action results from ambiguous regulation in the period in question, as it is not certain whether or not ČEZ Distribuce, a. s. was required to collect the Contribution from its customers. This is a lawsuit that mirrors those mentioned above to a large extent. ČEZ Distribuce, a. s. filed the action to prevent the expiration of the period of limitation applicable to the claim. The District Court in Mladá Boleslav discontinued the proceedings on grounds of lack of competence; when appealed by ČEZ Distribuce, a. s., the decision was affirmed by the appellate court, the Regional Court in Prague. ČEZ Distribuce, a. s. filed a devolutive appeal against its decision with the Supreme Court (while another devolutive appeal against the decision on legal costs was filed in the same case by ŠKO-ENERGO, s.r.o.). The outcome is impossible to predict.
14. A submission seeking the recovery of unjust enrichment consisting of the electricity distribution price component to cover costs associated with electricity support in relation to local (in-house) consumption that was allegedly incorrectly billed but duly paid by the claimant was filed against ČEZ Distribuce, a. s. with the Energy Regulatory Office by Mondi Štětí a. s. in March 2017, claiming approximately CZK 276 million with accessories thereof. The claimant believes that it was not supposed to pay the electricity distribution price component to cover costs associated with electricity support from January 1 to October 1, 2013, and that it was billed for said price component without legal title by ČEZ Distribuce, a. s. The proceedings are pending; the outcome is impossible to predict.
15. In insolvency proceedings against Česká energie, a.s., ČEZ Distribuce, a. s. submitted an unsecured claim for approximately CZK 138 million with accessories thereof, arising from failure to pay for distribution system services under a Framework Contract for Distribution System Services. The insolvency proceedings were started in December 2016 and the debtor, Česká energie, a.s., was declared bankrupt in April 2017. The insolvency proceedings are still pending.

ČEZ Prodej, a.s.

16. Since June 2010, ČEZ Prodej, a.s. has been involved in a litigation with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 805 million in damages. The High Court in Prague as the court of appeal decided the case in its judgment from March 2015 by admitting the claim of ČEZ Prodej, a.s. in full, and SŽDC had to pay ČEZ Prodej, a.s. the full amount in dispute, including accessories thereof. The ground of the dispute was a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2010, and the resulting loss. However, the case is still pending as SŽDC filed a devolutive appeal with the Supreme Court within the statutory time limit.
17. Since January 2013, ČEZ Prodej, a.s. has been involved in litigation with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 857 million in damages. The ground of the litigation, which is still pending, is a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2011, and the resulting loss. In November 2016, the Municipal Court in Prague upheld the claims in their entirety. The defendant appealed against the decision of the court of first instance.
18. Since March 2012, ČEZ Prodej, a.s. has been involved in a lawsuit with VÍTKOVICE, a.s., heard by the Regional Court in Ostrava, in which it is seeking CZK 386 million with accessories thereof in damages as a result of a breach of an electricity supply contract for 2011 and CZK 10 million as a

payment for electricity consumed but unpaid for in 2011. The court of first instance dismissed the action for damages in June 2016 and only admitted compensation for the electricity supplied, amounting to CZK 4 million. ČEZ Prodej, a.s. filed an appeal against the negative part of the judgment, on which the High Court in Olomouc decided in April 2017, affirming the decision of the court of first instance. ČEZ Prodej, a.s. filed a devolutive appeal against the judgment of the appellate court, on which no decision has been taken yet.

19. ČEZ Prodej, a.s. is involved in a lawsuit against ACTHERM, spol. s r.o., heard by the District Court for Prague 4, seeking damages exceeding CZK 185 million. The litigation was initiated in April 2016 on the grounds of loss incurred by ČEZ Prodej, a.s. due to the conduct of the defendant as the operator of a distribution system during the registration of photovoltaic electricity producers Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o. in the market operator's system and the delivery of information on the amount of support paid to the producers to ČEZ Prodej, a.s. On the proposal of ČEZ Prodej, a.s., the court adopted a nonfinal resolution suspending the proceedings until the completion of the contested administrative proceedings against OTE, a.s. conducted by the Energy Regulatory Office (ERO) on the proposal of ČEZ Prodej, a.s., seeking the payment of an amount exceeding CZK 124 million as the outstanding difference between the purchase prices paid to Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o. as producers and the purchase prices that were actually reimbursed by OTE, a.s. to ČEZ Prodej, a.s. as the mandatory purchaser. The administrative proceedings conducted by the ERO were completed finally in September 2016, whereby the reason for suspension vanished; however, ČEZ Prodej, a.s. subsequently filed an action contesting the ERO's decision with the District Court for Prague 8, seeking to replace the administrative decision with a court ruling. ČEZ Prodej, a.s. therefore proposed that the proceedings be suspended again and the court, by its resolution from June 2017, suspended the proceedings again until the litigation concerning the action contesting the ERO's decision is concluded upon a final judgment. ČEZ Prodej, a.s. also filed a motion to extend the action to include loss occurring in the next period, amounting to more than CZK 61 million. The court admitted the extension of the action by its resolution from May 2017, so the total loss claimed by the plaintiff now exceeds CZK 185 million.
20. Based on an action filed in November 2016, ČEZ Prodej, a.s. is carrying on a lawsuit against OTE, a.s., heard by the District Court for Prague 8, in which it seeks the payment by OTE, a.s. of an amount exceeding CZK 124 million as the outstanding difference between the purchase prices paid to Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o. as producers and the purchase prices that were actually reimbursed by OTE, a.s. to ČEZ Prodej, a.s. as the mandatory purchaser, resulting from discrepancy between information about the commissioning of generating facilities submitted to ČEZ Prodej, a.s. by ACTHERM, spol. s r.o. as the distribution system operator and the information submitted to OTE, a.s. In the action, ČEZ Prodej, a.s. is seeking the replacement of the ERO's decision by a court ruling that would order OTE, a.s. to pay the amount exceeding CZK 124 million to ČEZ Prodej, a.s. This action follows up on the disputed, finally concluded administrative proceedings before the ERO, in which an identical motion by ČEZ Prodej, a.s. against OTE, a.s., seeking the payment of an amount exceeding CZK 124 million, was dismissed finally in September 2016.
21. Based on actions filed in March 2017, ČEZ Prodej, a.s. is carrying on lawsuits against Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o., heard by the District Court in Hodonín. Based on these actions, ČEZ Prodej, a.s. is seeking the recovery of unjust enrichment amounting to CZK 160 million from the companies (CZK 61 million in the case of Saša - Sun s.r.o., CZK 69 million in the case of Zdeněk - Sun s.r.o., and CZK 29 million in the case of VT-SUN, s.r.o.), which consists in the collection of higher purchase prices than those reimbursed to ČEZ Prodej, a.s. by OTE, a.s. Although they are separate lawsuits, they are based on the same legal and factual bases that are inseparably related to the disputed, finally concluded administrative proceedings against OTE, a.s. before the ERO. Since the motion of ČEZ Prodej, a.s. against OTE, a.s. was dismissed finally in the disputed administrative proceedings, ČEZ Prodej, a.s. asserted its claim in an action against the aforementioned producers that received the support. The proceedings concerning the action of ČEZ Prodej, a.s. against Saša - Sun s.r.o. and Zdeněk - Sun s.r.o. were non-finally suspended by the court until the lawsuit heard by the District Court for Prague 8, initiated by the action of ČEZ Prodej, a.s. against OTE, a.s. in which ČEZ Prodej, a.s. seeks to replace the administrative decision with a court ruling, is concluded upon final judgment. ČEZ Prodej, a.s. filed an appeal against the suspending resolution in both cases; no decision on the appeal has been taken yet.

ŠKODA PRAHA Invest s.r.o.

22. In insolvency proceedings against MODŘANY Power, a.s. (MoPo), ŠKODA PRAHA Invest s.r.o. submitted claims relating to the execution of projects for the construction of a new 660MW$_e$ unit at the Ledvice Power Plant, the comprehensive renovation of the Prunéřov II Power Plant, and the construction of a new 880MW$_e$ CCGT unit at the Počerady Power Plant, as well as projects at the Dukovany Nuclear Power Plant. In June 2017, following the final dismissal of the action for the annulment of the award of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic, the submitted claims and, subsequently, the related incidental action were withdrawn.
23. In connection with a contract for work for the construction of an 880MW$_e$ CCGT unit at the Počerady Power Plant, there was a lawsuit against MODŘANY Power, a.s. (MoPo) for the annulment of an arbitration award concerning the action of ŠKODA PRAHA Invest s.r.o. seeking a payment exceeding CZK 215 million and the counter-action of MoPo seeking a payment of almost CZK 132 million. In January 2017, the Municipal Court in Prague as the appellate court affirmed the decision of the court of first instance dismissing the action of ŠKODA PRAHA Invest s.r.o. seeking the annulment of the arbitration award.
24. In amendments to contracts for work concerning piping delivery and installation, made between ŠKODA PRAHA Invest s.r.o. and MODŘANY Power, a.s. (MoPo) under the project for the comprehensive renovation of the Prunéřov II Power Plant, the parties notified in April 2015 that they were in dispute over MoPo's claims for the reimbursement of the costs of postponing the preliminary acceptance date, totaling approximately CZK 111 million.
25. In connection with contracts for work concerning piping delivery and installation, made between ŠKODA PRAHA Invest s.r.o. and MODŘANY Power, a.s. (MoPo) under the project for the construction of a new 660MW$_e$ unit at the Ledvice Power Plant, the parties, at a meeting held in June 2015, agreed that they were in dispute over MoPo's claims for the reimbursement of the costs of postponing the preliminary acceptance date, totaling approximately CZK 135 million.
26. In insolvency proceedings involving the assets of Chladicí věže Praha, a. s., ŠKODA PRAHA Invest s.r.o. submitted claims relating to the execution of the 880MW$_e$ CCGT Unit project at the Počerady Power Plant. Specifically, there is a conditional claim arising from potential defects occurring during the warranty period, up to a possible total of almost CZK 438 million, and ŠKODA PRAHA Invest s.r.o. notified the court that this claim was unconditional in the amount of approximately CZK 21.3 million. Furthermore, there are unconditional claims arising from liability for defects and/or compensation for loss incurred in remedying defects and from a contractual penalty for default in remedying notified defects, in a total amount exceeding CZK 13 million. Said submitted claims were denied by the receiver. Therefore, ŠKODA PRAHA Invest s.r.o. filed an action to determine the authenticity and amounts of all of the denied claims with the Municipal Court in Prague in July 2016. No decision on this action has been taken yet. In addition, ŠKODA PRAHA Invest s.r.o. is claiming its rights arising out of a bank guarantee issued by PPF banka a.s., in an action seeking the payment of approximately CZK 43 million filed with the District Court for Prague 6 in March 2016. No decision on this action has been taken yet.
27. In insolvency proceedings involving the assets of VÍTKOVICE POWER ENGINEERING a.s. (VPE), ŠKODA PRAHA Invest s.r.o. submitted claims relating to the execution of projects for the construction of a new 660 MW$_e$ unit at the Ledvice Power Plant and the comprehensive renovation of the Prunéřov II Power Plant. Specifically, there is a conditional claim arising out of potential defects occurring during the warranty period, up to a possible total of approximately CZK 8,783 million (only in relation to the Prunéřov II project). Furthermore, there are unconditional claims totaling more than CZK 20 million (in relation to the Prunéřov II project) and more than CZK 105 million (in relation to the new Ledvice Power Plant unit). During a review hearing held in November 2016, VPE and the receiver denied—in relation to the Prunéřov II project—the authenticity and the amounts of the submitted conditional and unconditional claims receivables totaling almost CZK 8,803 million (i.e., all submitted claims relating to the Prunéřov II project, except for unconditional claims submitted on account of sublease contracts exceeding CZK 338,000) and at the same time, VPE denied—in relation to the new Ledvice Power Plant unit—the authenticity and the amounts of all unconditional claims exceeding CZK 105 million in total. Therefore, ŠKODA PRAHA Invest s.r.o. filed four incidental actions to determine the authenticity and amounts of all of the denied claims with the Regional Court in Ostrava in December 2016. No decisions on these actions have been taken yet.

Abroad

Bulgaria

28. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed in 2016 and 2017 against numerous decisions of the regulatory authority—Energy and Water Regulatory Commission (EWRC)—stipulating prices of electricity. Court hearings are underway.
29. CEZ Razpredelenie Bulgaria AD appealed against certain decisions of the regulatory authority stipulating prices of access to the distribution network for producers of electricity from RES purchased at preferential prices, and obligatory compensation to producers of electricity from RES. The regulatory authority's decision on prices of access to the distribution network for RES producers has been annulled by court. The case was returned to the regulatory authority to adopt a new decision. The court rejected the company's appeal by its decision from June 2017. Other court hearings concerning the stipulation of obligatory compensation for individual producers of electricity from RES were reopened.
30. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed against Ordinance No. 1 of April 5, 2013, whereby the regulatory authority stipulated regulated electricity prices. The court revoked parts of Article 10 of said ordinance as applied for by the companies. The regulatory authority filed an appeal against this decision. By its decision of February 23, 2016, the Supreme Administrative Court finally repealed Article 10(2)(2) and (6) of Ordinance No. 1 on the regulation of electricity prices, concerning lack of recognition of expenses for balancing and for reactive energy in electricity prices. The court's decision was published in the Official Gazette on March 15, 2016, and is in effect. Based on an appeal by EVN in the same case, the Supreme Administrative Court issued a decision that is ambiguous and was published in the Official Gazette on December 16, 2016 and is in effect. On March 14, 2017, the regulatory authority issued a new decision with effect from March 24, 2017, which is, however, also ambiguous.
31. In March 2014, NEK filed an action against CEZ Razpredelenie Bulgaria AD with the City Court of Sofia, seeking payment of BGN 5.9 million (approximately CZK 84 million) for electricity supplies in 2011 and 2012. CEZ Razpredelenie Bulgaria AD responded by submitting objections to NEK's action. In a closed hearing held on June 1, 2015, the court disallowed NEK's claim and called ESO EAD, the transmission system operator, as the plaintiff instead. The next hearing is scheduled for October 2017.
32. As a result of a regulatory audit of compliance with distribution license conditions in the period of July 1, 2008 to November 30, 2013, conducted by the EWRC, CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions on a breach of obligations, which the company submitted written objections to. On the basis of the objections submitted, CEZ Razpredelenie Bulgaria AD subsequently received 206 penalty decisions issued by the EWRC, claiming BGN 20,000 (approx. CZK 283,000) per breach. The company duly appealed against all of the penalty decisions. At the report closing date, there are 188 final court decisions: 94 of them confirmed the imposed penalties, and the penalties were paid by the company; 94 of them definitely dismissed the penalties. The remaining cases are still pending.
33. There were ongoing proceedings on infringements of the Competition Protection Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (cartel agreements consisting in concerted practices and abuse of a dominant position) by ČEZ companies and other companies in connection with the opening of the electricity market, initiated by the Commission for Protection of Competition (CPC) in 2013. A hearing was held on October 22, 2014. The CPC requested additional information and documents from CEZ Razpredelenie Bulgaria AD and CEZ Trade Bulgaria EAD in July 2015 and June 2017. On July 6, CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, CEZ Trade Bulgaria, and CEZ Bulgaria received the CPC's "Statement of Objections," a preliminary decision on abuse of a dominant position. The companies will submit their comments on this preliminary decision. In addition, the CPC initiated several other proceedings against CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD in 2015 and 2016, with a maximum possible penalty of up to 10% of their turnover. The proceedings are still pending.
34. On September 17, 2015, the National Energy Company EAD (NEK) brought an action against CEZ Elektro Bulgaria AD on the grounds of its alleged receivable for unpaid electricity from January–February 2014. The amount claimed is BGN 6.4 million (approximately CZK 88.2 million), including penalty interest. CEZ Elektro Bulgaria AD filed an objection to the action for its groundlessness, as it had set off its receivables from the plaintiff against the plaintiff's receivables. The court of first instance issued an unclear ruling on October 11, 2016. CEZ Elektro Bulgaria AD

appealed. On April 24, 2017, the court affirmed the decision of the court of first instance disallowing NEK's claims on the grounds of the setoff of claims with CEZ Elektro Bulgaria in the amount of BGN 5.6 million. At the same time, the court reversed the decision of the court of first instance on NEK's claim for the remaining portion of the receivable. No party appealed against the decision and the decision is in effect. On July 12, NEK and CEZ Elektro Bulgaria AD agreed on an out-of-court settlement with a positive effect of CZK 0.4 billion on the 2017 income.

35. The Commission for Protection Against Discrimination opened case No. 258/2008 for alleged discrimination based on ethnic origin caused by installing junction boxes at a height of 6–8 meters in some areas, nevertheless at a height of 1–2 meters in other areas. The Court of Justice of the European Union in Luxembourg decided on July 16, 2015, that Anelya Nikolova was discriminated against. The Administrative Court in Sofia took over the case. A hearing was held on May 23, 2017. A decision on the case is now awaited.
36. In April 2017, Piraeus Bank filed an action against Bara Group EOOD concerning pledged claims of SANO PC EOOD against Bara Group EOOD. The action claiming BGN 50,000 is just a portion of the total pledged claim amounting to BGN 3 million. Bara Group EOOD submitted its objections to the action in writing and it is now necessary to wait for a hearing to be fixed by the court of first instance.

Poland

37. In 2009, Agrowind Kończewo sp. z o.o. (AWK) filed a lawsuit against 7 companies jointly and severally, one of which is Eco-Wind Construction S.A. (EWC), seeking PLN 22,653,583 plus interest in compensation because the companies frustrated the installation of wind turbines and transformer stations on land that the claim alleges was held by AWK. On December 4, 2012, the claim was increased to a total of PLN 112,712,952 plus interest (approximately CZK 699 million). The litigation can be expected to last for up to several years.

Romania

38. The majority of lawsuits that arose in connection with the construction of the Fântânele and Cogealac wind farms in Romania have been successfully concluded. Three remaining lawsuits that have not been concluded yet do not pose a material risk.
39. Distributie Energie Oltenia S.A. has been carrying on a lawsuit against the regulatory authority concerning distribution tariffs in the 2nd regulatory period since early 2014. In April 2016, the court of first instance partially admitted the complaint of Distributie Energie Oltenia S.A. against the regulatory authority and decided that the correction for the past regulatory period was applied wrongfully. The regulatory authority appealed against the judgment and also disputed the submitted expert opinion. The opinion says that the amount of the negative correction (the primary cause of a decrease in tariffs) is unjustified. The case will be heard by a court of second instance.

Turkey

40. From 2011 and 2013, respectively, Sakarya Elektrik Dağitim A.S. (SEDAŞ) and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) filed appeals against the administrative decisions of the Turkish energy market regulatory authority (EPDK) that were the basis for reducing the portion of the companies' operating costs that were automatically recognized in tariffs. The level of SEDAŞ's and SEPAŞ's operating costs is defined by EPDK's decision. The level of both companies' operating costs was gradually reduced by EPDK's decisions, which the companies appealed against and strove to get canceled. On December 18, 2012, one of the disputes was decided by the administrative court in Ankara in favor of SEDAŞ. EPDK appealed against the first instance decision to the Supreme Administrative Court of Turkey. No decision on the appeal has been taken yet. Four disputes were decided by the administrative court in favor of EPDK regulatory authority during 2016. SEPAŞ and SEDAŞ appealed against the first instance decision to the Supreme Administrative Court of Turkey. No decisions on the appeals have been taken yet. The remaining litigation is in the stage of submission of pleadings.
41. Distribution and sales companies in Turkey are facing lawsuits concerning a refund of the costs of technical and non-technical losses paid for by the companies' customers. In the case of Sakarya Elektrik Dağitim A.S. (SEDAŞ) and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ), the total amount of pending lawsuits is currently immaterial for the companies and, as a result of legislation adopted in 2016, it is expected that the cases will be decided in favor of SEDAŞ and SEPAŞ.

42. In March and May 2016, Sakarya Elektrik Dağitim A.S. (SEDAŞ) filed three administrative actions and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) filed two administrative actions against the decisions of the Turkish energy regulatory authority (EPDK) regulating the limits of SEDAŞ's revenue from electricity distribution in the regulatory period of 2016 to 2020, including the method of calculation and application, and regulating the limits of SEPAŞ's revenue from electricity sales and the limits for SEPAŞ's costs and expenses in the regulatory period of 2016 to 2020 respectively. The court of first instance decided on one of the cases partly in favor of SEPAŞ on March 6, 2017, and EPDK appealed against the decision. In late 2016, some of the administrative decisions contested in court were modified by EPDK in favor of SEDAŞ and SEPAŞ; however, EPDK took only partial account of the companies' claims. Therefore, SEDAŞ and SEPAŞ filed new administrative actions against said administrative decisions in April 2017. Some of the actions were re-filed on July 10, 2017 owing to a previous procedural decision of the administrative court.

Other Proceedings

Czechia

As part of an investigation into possible criminal activity related to obtaining a license to operate the Vranovská Ves Photovoltaic Power Plant, police authorities issued a resolution to secure a replacement value of the likely proceeds of this criminal activity pursuant to the Code of Criminal Procedure, specifically:

1. Take control of receivables payable to ČEZ Obnovitelné zdroje, s.r.o. by OTE, a. s. in the form of green bonus support amounting to almost CZK 383 million in total; while under police control, the amount in question will be deposited in a bank account with the Czech National Bank and ČEZ Obnovitelné zdroje, s.r.o. cannot dispose of the funds
2. Take control of funds in a bank account of ČEZ, a. s. amounting to approximately CZK 223 million; ČEZ, a. s. cannot dispose of the funds while they are under police control

In both cases, these are interlocutory security measures taken by law enforcement authorities in a case where the accused are not employees of CEZ Group companies. ČEZ Obnovitelné zdroje, s.r.o. and hence ČEZ, a. s. are injured parties in the case.

Bulgaria

On July 12, 2016, ČEZ, a. s. formally filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of non-protection of investment. It decided to do so after a number of interventions by Bulgarian authorities injuring CEZ companies' business in Bulgaria and as a result of a long-term, non-improving critical situation in the country's energy market. The claim amounts to hundreds of millions of EUR.

ČEZ repeatedly called upon the Bulgarian government to improve the existing situation speedily and compensate incurred losses. It sent the Bulgarian government a Notice of Dispute in November 2015, in which it asked for amicable settlement and reserved the right to commence investment arbitration. Efforts to initiate an amicable settlement with the Bulgarian government have not resulted in any official response by the competent authorities since November 2015. After the deadline for an amicable settlement expired in May 2016, ČEZ, a. s. formally notified Bulgaria that it would commence the international arbitration procedure.

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Customer Care Line in Slovakia	cez@cez.sk	0850 888 444 (when calling from Slovakia)
Web Sales Office	www.cez.cz/cs/sluzby-pro-zakazniky/cez-online.html	
Customer Services	https://www.cez.cz/cs/sluzby-pro-zakazniky.html	371 100 351
CEZ Group Ombudsman in Czechia Josef Sedlák Mailing address: Ombudsman ČEZ Hvězdova 1716/2b 140 62 Praha 4	www.cez.cz/cs/odpovedna-firma/ombudsman.html	No phone contact
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Abbreviations

EPC	Engineering, Procurement, Construction A contract where the contractor carries out the detailed project design; procures all the equipment and materials necessary; and then delivers a functioning facility to its customer
ERO	Energy Regulatory Office
EU	European Union
EU ETS	EU Emission Trading System System for trading in greenhouse gas emission allowances in the EU
RES	Renewable energy sources
SPV	Special purpose vehicle A commercial company established to undertake one specific project
SÚJB	State Office for Nuclear Safety (Státní úřad pro jadernou bezpečnost)

Totals and subtotals in this Half-Year Report can differ from the sum of individual values due to rounding.

Information in this half-year report was not verified by an independent auditor.

Methods Used to Calculate Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard in IFRS statements or the components of which are not directly available from standardized statements (financial statements). Such indicators represent supplementary information in respect of financial data, providing reports' users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Indicator	
Net Debt	Purpose: The indicator shows the real level of a company's financial debt, i.e., the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the company. The indicator is primarily used to assess the overall appropriateness of the company's debt, e.g., in comparison with selected corporate profit or balance sheet indicators. Definition: Long-term debt, net of current portion + current portion of long-term debt + short-term loans − (cash and cash equivalents + highly liquid financial assets).
Adjusted Net Income (After-Tax Income, Adjusted)	Purpose: This is a supporting indicator, intended primarily for investors, creditors, and shareholders, which allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period. Definition: Net income (after-tax income) +/− additions to and reversals of impairments of property, plant, and equipment and intangible assets, including goodwill +/− additions to and reversals of impairments of developed projects +/− other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/− effects of the above on income tax.
Dividend per Share (Gross)	Purpose: The indicator expresses a shareholder's right to the payment of a share in a joint-stock company's profits (usually for the past year) corresponding to the holding of one share. The subsequent payment of the share in profits is usually subject to taxes, which may be different for different shareholders; therefore, the value before taxes is reported. Definition: Dividend awarded in the current year, before taxes, per outstanding share (paid in the reported year from the profits of prior periods).
EBITDA (EBIT Before Depreciation and Amortization, Impairments, and Asset Sales)	Purpose: This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the company's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives. Definition: Earnings before taxes and other expenses and revenues + depreciation and amortization +/− impairments of property, plant, and equipment and intangible assets, including goodwill (including write-off of canceled investments) +/− sales of property, plant, and equipment and intangible assets.

Indicator	
Net Debt / EBITDA	Purpose: This indicates a company's capability to decrease and pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows. Definition: Net Debt / EBITDA. EBITDA is the running total for the past 12 months, i.e., the amount of EBITDA generated from July 1 of the previous year to June 30; Net Debt is the amount at the end of the period, i.e., at June 30.
Return on Equity (ROE), Net	Purpose: This indicator is the ratio of generated income to shareholders' capital invested in a company. It allows investors to compare the appreciation of their investment (ROE achieved in a prior period) to their expectations. Definition: Net income attributable to parent company shareholders / average equity attributable to parent company shareholders. Net income is the running total for the past 12 months, i.e., the amount of net income generated from July 1 of the previous year to June 30. Equity is the average value of the current period and the period 12 months ago, i.e., the average of values as at June 30.

Most of the components used in the calculation of individual indicators are directly shown in financial statements. The components of calculations that are not included in the financial statements are usually shown directly in a company's books and are defined as follows:

Net Debt indicator—Highly Liquid Financial Assets item (CZK millions):

	As at Jun 30, 2016	As at Jun 30, 2017
Short-term debt securities available for sale	0	2,804
Short-term debt securities held to maturity	3,601	900
Short-term deposits	7,110	2,500
Long-term deposits	0	500
Long-term debt securities available for sale	4,839	1,809
Highly liquid financial assets, total	**15,550**	**8,512**

Adjusted Net Income indicator—individual components:

Adjusted Net Income (After-Tax Income, Adjusted)	Unit	H1 2016	H1 2017
Net income	CZK millions	13,797	16,658
Impairments of property, plant, and equipment and intangible assets, including goodwill	CZK millions	973	271
Impairments of developed projects*)	CZK millions	0	0
Impairments of property, plant, and equipment and intangible assets, including goodwill, at joint ventures**)	CZK millions	0	75
Effects of additions to or reversals of impairments on income tax***)	CZK millions	0	(51)
Other extraordinary effects	CZK millions	0	0
Adjusted net income	**CZK millions**	**14,770**	**16,953**

**) Included in the row Other operating expenses (impairments of inventories) in the Consolidated Statement of Income*
***) Included in the row Share of profit (loss) from joint ventures in the Consolidated Statement of Income*
****) Included in the row Income taxes (deferred tax) in the Consolidated Statement of Income*

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF JUNE 30, 2017

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2017

in CZK Millions

	Note	June 30, 2017	December 31, 2016
Assets			
Property, plant and equipment:			
Plant in service		775,171	775,181
Less accumulated depreciation and impairment		(430,706)	(418,981)
Net plant in service		344,465	356,200
Nuclear fuel, at amortized cost		16,161	14,892
Construction work in progress		59,918	55,803
Total property, plant and equipment		420,544	426,895
Other non-current assets:			
Investment in joint-ventures		3,589	5,309
Restricted financial assets		19,273	19,011
Investments and other financial assets, net		11,098	14,460
Intangible assets, net		21,532	21,983
Deferred tax assets		1,100	1,596
Total other non-current assets		56,592	62,359
Total non-current assets		477,136	489,254
Current assets:			
Cash and cash equivalents		18,669	11,226
Receivables, net		48,804	56,331
Income tax receivable		3,299	1,181
Materials and supplies, net		8,124	7,520
Fossil fuel stocks		620	996
Emission rights		4,742	3,958
Other financial assets, net		27,418	56,501
Other current assets		3,745	3,227
Assets classified as held for sale		31	647
Total current assets		115,452	141,587
Total assets		592,588	630,841

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2017

continued

	Note	June 30, 2017	December 31, 2016
Equity and liabilities			
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		203,199	207,259
Total equity attributable to equity holders of the parent		252,752	256,812
Non-controlling interests		4,583	4,548
Total equity		257,335	261,360
Long-term liabilities:			
Long-term debt, net of current portion	6	131,471	142,265
Provisions		66,433	66,360
Deferred tax liabilities		23,451	20,213
Other long-term liabilities		8,903	11,203
Total long-term liabilities		230,258	240,041
Current liabilities:			
Short-term loans	7	5,524	8,343
Current portion of long-term debt	6	9,584	17,208
Trade and other payables		72,632	80,516
Income tax payable		27	392
Provisions		6,027	8,160
Accrued liabilities		11,201	14,251
Liabilities associated with assets classified as held for sale		-	570
Total current liabilities		104,995	129,440
Total equity and liabilities		592,588	630,841

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017

in CZK Millions

	Note	1-6/2017	1-6/2016	4-6/2017	4-6/2016
Sales of electricity and related services		84,614	84,654	40,752	41,662
Sales of gas, coal, heat and other revenues		14,123	13,515	5,615	5,120
Other operating income		2,146	734	1,694	238
Total revenues and other operating income		100,883	98,903	48,061	47,020
Gains and losses from commodity derivative trading, net		599	683	(934)	(794)
Fuel		(6,338)	(6,371)	(2,705)	(2,816)
Purchased power and related services		(44,268)	(42,627)	(20,768)	(21,191)
Repairs and maintenance		(1,559)	(1,617)	(973)	(1,012)
Depreciation and amortization		(14,982)	(14,161)	(7,485)	(7,092)
Impairment of property, plant and equipment and intangible assets including goodwill		(271)	(973)	(270)	(971)
Salaries and wages		(9,640)	(8,946)	(4,995)	(4,588)
Materials and supplies		(2,327)	(2,067)	(1,257)	(1,107)
Emission rights, net		(719)	546	(892)	359
Other operating expenses		(4,137)	(5,372)	(2,196)	(2,777)
Income before other income (expenses) and income taxes		17,241	17,998	5,586	5,031
Interest on debt, net of capitalized interest		(1,800)	(1,117)	(869)	(560)
Interest on provisions		(814)	(746)	(407)	(373)
Interest income		134	171	67	95
Foreign exchange rate gains (losses), net		461	(681)	561	(729)
Other financial expenses	4	(1,094)	(317)	(1,065)	74
Other financial income	4	5,559	1,762	4,760	1,673
Share of profit (loss) from joint-ventures		(255)	27	138	(305)
Total other income (expenses)		2,191	(901)	3,185	(125)
Income before income taxes		19,432	17,097	8,771	4,906
Income taxes		(2,774)	(3,300)	(787)	(1,065)
Net income		16,658	13,797	7,984	3,841
Net income attributable to:					
Equity holders of the parent		16,314	13,629	7,745	3,753
Non-controlling interests		344	168	239	88
Net income per share attributable to equity holders of the parent (CZK per share)					
Basic		30.5	25.5	14.5	7.0
Diluted		30.5	25.5	14.5	7.0

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017

in CZK Millions

	Note	1-6/2017	1-6/2016	4-6/2017	4-6/2016
Net income		16,658	13,797	7,984	3,841
Other comprehensive income - items that may be reclassified subsequently to statement of income or to assets:					
Change in fair value of cash flow hedges recognized in equity		3,762	(1,288)	1,975	(2,924)
Cash flow hedges reclassified to statement of income		2,737	(264)	2,015	(859)
Change in fair value of available-for-sale financial assets recognized in equity		(857)	1,447	240	(244)
Available-for-sale financial assets reclassified from equity	4	(5,617)	(1)	(5,581)	-
Translation differences - subsidiaries		(1,452)	(266)	(1,691)	(398)
Translation differences - joint-ventures		(339)	(16)	(226)	37
Translation differences reclassified from equity		-	(102)	-	(35)
Share on other equity movements of joint-ventures		35	25	9	5
Deferred tax related to other comprehensive income	8	(1,099)	287	(747)	728
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(2,830)	(178)	(4,006)	(3,690)
Total comprehensive income, net of tax		13,828	13,619	3,978	151
Total comprehensive income attributable to:					
Equity holders of the parent		13,558	13,438	3,814	52
Non-controlling interests		270	181	164	99

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017

in CZK Millions

	Note	Attributable to equity holders of the parent								
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	4,262	272,155
Net income		-	-	-	-	-	13,629	13,629	168	13,797
Other comprehensive income		-	-	(397)	(1,257)	1,438	25	(191)	13	(178)
Total comprehensive income		-	-	(397)	(1,257)	1,438	13,654	13,438	181	13,619
Dividends		-	-	-	-	-	(21,369)	(21,369)	(8)	(21,377)
Share options		-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity		-	-	-	-	(21)	21	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	9	9
Put options held by non-controlling interest		-	-	-	-	-	(1)	(1)	1	-
June 30, 2016		53,799	(4,246)	(9,897)	(1,343)	4,671	216,989	259,973	4,445	264,418
December 31, 2016		53,799	(4,246)	(10,779)	(7,499)	7,839	217,698	256,812	4,548	261,360
Net income		-	-	-	-	-	16,314	16,314	344	16,658
Other comprehensive income		-	-	(1,675)	5,263	(6,379)	35	(2,756)	(74)	(2,830)
Total comprehensive income		-	-	(1,675)	5,263	(6,379)	16,349	13,558	270	13,828
Dividends	5	-	-	-	-	-	(17,630)	(17,630)	(235)	(17,865)
Share options		-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity		-	-	-	-	(15)	15	-	-	-
June 30, 2017		53,799	(4,246)	(12,454)	(2,236)	1,457	216,432	252,752	4,583	257,335

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

in CZK Millions

	Note	1-6/2017	1-6/2016
Operating activities:			
Income before income taxes		19,432	17,097
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		14,982	14,161
Amortization of nuclear fuel		1,817	1,887
Gain on non-current asset retirements, net		(5,858)	(50)
Foreign exchange rate losses (gains), net		(461)	681
Interest expense, interest income and dividend income, net		1,435	345
Provisions		(2,087)	(2,673)
Impairment of property, plant and equipment and intangible assets including goodwill		271	973
Valuation allowances and other adjustments		(222)	(559)
Share of (profit) loss from joint-ventures		255	(27)
Changes in assets and liabilities:			
Receivables		7,652	1,217
Materials, supplies and fossil fuel stocks		(209)	590
Receivables and payables from derivatives		(2,706)	875
Other current assets		282	2,964
Trade and other payables		(3,968)	(5,560)
Accrued liabilities		(2,667)	(1,652)
Cash generated from operations		27,948	30,269
Income taxes paid		(2,643)	(3,873)
Interest paid, net of capitalized interest		(2,082)	(1,227)
Interest received		141	147
Dividends received		233	577
Net cash provided by operating activities		23,597	25,893
Investing activities:			
Acquisition of subsidiaries and joint-ventures, net of cash acquired		(95)	(42)
Disposal of subsidiaries and joint-ventures, net of cash disposed of		1,314	177
Additions to non-current assets, including capitalized interest		(13,791)	(19,501)
Proceeds from sale of non-current assets	4	12,734	173
Loans made		(19)	(3)
Repayment of loans		356	160
Change in restricted financial assets		(856)	(912)
Total cash used in investing activities		(357)	(19,948)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

continued

	Note	1-6/2017	1-6/2016
Financing activities:			
Proceeds from borrowings		56,241	27,908
Payments of borrowings		(71,946)	(24,701)
Proceeds from other long-term liabilities		16	30
Payments of other long-term liabilities		(32)	(648)
Dividends paid to Company's shareholders		(56)	(48)
Dividends paid to non-controlling interests		(9)	(7)
Total cash provided by (used in) financing activities		(15,786)	2,534
Net effect of currency translation in cash		(115)	35
Net increase in cash and cash equivalents		7,339	8,514
Cash and cash equivalents at beginning of period		11,330	13,482
Cash and cash equivalents at end of period		18,669	21,996
Supplementary cash flow information			
Total cash paid for interest		3,244	3,563

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

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 June 30, 2017 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 six months ended June 30, 2017 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, 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, 2016.

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. Sale of MOL shares and buy back of exchangeable bonds

On April 4, 2017 the settlement of equity placing of MOL Hungarian Oil and Gas PLC ("MOL") took place. The funds received were used to buy back the exchangeable bonds. The settlement of the buy back took place on the same day. There were 7,561,372 MOL shares sold and there were exchangeable bonds of EUR 463.1 million of the principal amount bought back in these transactions (representing 98.49% on the original principal amount of EUR 470.2 million).

During the period of February to May 2017, the exchangeable bonds in the total principal amount of EUR 7.0 million were exchanged for MOL shares (total 114,279 pieces) due to conversion options called and the last outstanding bond with principal amount of EUR 0.1 million was satisfied redemption by delivering its principal amount in cash and the remaining MOL shares were sold (1,634 pieces).

The bonds carried no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43% p. a. The derivative of conversion option was carried in fair value through profit or loss. The MOL shares were classified as available for sale securities carried in fair value through other comprehensive income. The accumulated gain from revaluation of these shares was reclassified from equity and was recognized in the statement of income on the disposal of the shares from the balance sheet.

The effect of the transactions related to MOL shares, exchangeable bonds and embedded conversion option on the lines Other financial expenses and Other financial income of the statement of income was the following (in CZK millions):

	1-6/2017			1-6/2016
	MOL shares and conversion option	Bond buy back	Total	MOL shares and conversion option
Loss from conversion option revaluation	-	-	-	(220)
Other financial expenses	(95)	(499)	(594)	-
Other financial expenses	(95)	(499)	(594)	(220)
Gain from conversion option revaluation	507	-	507	-
Gain from sale of MOL shares [1]	4,639	-	4,639	-
Dividend income	-	-	-	378
Other financial income	5,146	-	5,146	378
Total	5,051	(499)	4,552	158

[1] The accumulated gain from revaluation of MOL shares in the amount of CZK 5,585 million was reclassified from equity on the disposal of MOL shares from the balance sheet.

The cash received from sale of MOL shares in the amount of CZK 12,244 million is presented on the line Proceeds from sale of non-current assets in the statement of cash flows. The cash outflow related to exchangeable bond buy back in the amount of CZK 13,044 million is presented on the line Payments of borrowings in the statement of cash flows. This amount includes the cash outflow attributable to embedded conversion option, which ceased to exist on bond redemption, in the amount of CZK 698 million.

5. Equity

On June 21, 2017 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 33.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 17,630 million.

6. Long-term Debt

Long-term debt at June 30, 2017 and December 31, 2016 is as follows (in CZK millions):

	June 30, 2017	December 31, 2016
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,453	2,621
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,636	1,748
5.000% Eurobonds, due 2021 (EUR 750 million)	19,599	20,211
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,307	1,348
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,175	1,207
3M Euribor + 0,55% Eurobonds, due 2018 (EUR 200 million)	5,228	5,383
4.875% Eurobonds, due 2025 (EUR 750 million)	19,580	20,193
4.500% Eurobonds, due 2020 (EUR 750 million)	19,563	20,165
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,358	2,519
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [1)]	2,620	2,702
4.102% Eurobonds, due 2021 (EUR 50 million)	1,307	1,348
4.250% U.S. bonds, due 2022 (USD 289 million)	6,587	7,353
5.625% U.S. bonds, due 2042 (USD 300 million)	6,817	7,613
4.375% Eurobonds, due 2042 (EUR 50 million)	1,286	1,326
4.500% Eurobonds, due 2047 (EUR 50 million)	1,285	1,325
4.383% Eurobonds, due 2047 (EUR 80 million)	2,096	2,162
3.000% Eurobonds, due 2028 (EUR 500 million)	12,937	13,337
4.500% registered bonds, due 2030 (EUR 40 million)	1,029	1,061
4.750% registered bonds, due 2023 (EUR 40 million)	1,039	1,072
4.700% registered bonds, due 2032 (EUR 40 million)	1,042	1,075
4.270% registered bonds, due 2047 (EUR 61 million)	1,573	1,622
3.550% registered bonds, due 2038 (EUR 30 million)	783	807
Exchangeable bonds, due 2017 (EUR 468.6 million) [2)]	-	12,598
Total bonds and debentures	114,548	132,044
Less: Current portion	(6,403)	(13,805)
Bonds and debentures, net of current portion	108,145	118,239
Long-term bank and other loans:		
Total long-term bank and other loans	26,507	27,429
Less: Current portion	(3,181)	(3,403)
Long-term bank and other loans, net of current portion	23,326	24,026
Total long-term debt	141,055	159,473
Less: Current portion	(9,584)	(17,208)
Total long-term debt, net of current portion	131,471	142,265

[1)] 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.

[2)] Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC (see Note 4).

7. Short-term Loans

Short-term loans at June 30, 2017 and December 31, 2016 are as follows (in CZK millions):

	June 30, 2017	December 31, 2016
Short-term bank loans	5,383	7,962
Bank overdrafts	141	381
Total	5,524	8,343

8. Income Taxes

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

	1-6/2017			1-6/2016		
	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	3,762	(715)	3,047	(1,288)	244	(1,044)
Cash flow hedges reclassified to statement of income	2,737	(520)	2,217	(264)	51	(213)
Change in fair value of available-for-sale financial assets recognized in equity	(857)	128	(729)	1,447	(8)	1,439
Available-for-sale financial assets reclassified from equity	(5,617)	8	(5,609)	(1)	-	(1)
Translation differences - subsidiaries	(1,452)	-	(1,452)	(266)	-	(266)
Translation differences - joint-ventures	(339)	-	(339)	(16)	-	(16)
Translation differences reclassified from equity	-	-	-	(102)	-	(102)
Share on other equity movements of joint-ventures	35	-	35	25	-	25
Total	(1,731)	(1,099)	(2,830)	(465)	287	(178)

9. Segment Information

The Group reports its result using six reportable operating segments:

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

The segments are defined across the countries that CEZ Group operates. 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 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):

	1-6/2017	1-6/2016
Income before other income (expenses) and income taxes (EBIT)	17,241	17,998
Depreciation and amortization	14,982	14,161
Impairment of plant, property and equipment and intangible assets including goodwill	271	973
Gains and losses on sale of property, plant and equipment *	(1,183)	(34)
EBITDA	31,311	33,098

* 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 six months ended June 30, 2017 and 2016 and at December 31, 2016 (in CZK millions):

June 30, 2017:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Revenues and other operating income - other than intersegment	27,763	2,175	14,493	53,066	2,211	1,175	100,883	-	100,883
Revenues and other operating income - intersegment	15,372	407	14,450	2,356	2,367	7,177	42,129	(42,129)	-
Total revenues and other operating income	43,135	2,582	28,943	55,422	4,578	8,352	143,012	(42,129)	100,883
EBITDA	12,733	2,324	10,046	2,732	2,095	1,378	31,308	3	31,311
Depreciation and amortization	(9,066)	(847)	(3,109)	(41)	(1,158)	(761)	(14,982)	-	(14,982)
Impairment of property, plant and equipment and intangible assets including goodwill	-	(269)	(8)	-	-	6	(271)	-	(271)
EBIT	4,813	1,207	6,943	2,692	938	645	17,238	3	17,241
Interest on debt and provisions	(2,379)	(119)	(167)	(4)	(95)	(146)	(2,910)	296	(2,614)
Interest income	328	-	15	1	1	85	430	(296)	134
Share of profit (loss) from joint-ventures	(65)	(30)	34	(83)	2	(113)	(255)	-	(255)
Income taxes	(563)	(119)	(1,249)	(511)	(179)	(153)	(2,774)	-	(2,774)
Net income	13,818	931	5,575	2,067	1,341	5,439	29,171	(12,513)	16,658
Identifiable assets	251,777	28,442	111,211	889	20,282	8,876	421,477	(933)	420,544
Investment in joint-ventures	-	514	205	481	172	2,217	3,589	-	3,589
Unallocated assets									168,455
Total assets									592,588
Capital expenditure	5,120	173	5,279	39	331	3,118	14,060	(2,147)	11,913

June 30, 2016:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Revenues and other operating income - other than intersegment	25,578	1,790	14,500	53,729	2,170	1,136	98,903	-	98,903
Revenues and other operating income - intersegment	15,915	344	15,041	2,732	2,389	8,230	44,651	(44,651)	-
Total revenues and other operating income	41,493	2,134	29,541	56,461	4,559	9,366	143,554	(44,651)	98,903
EBITDA	14,787	1,858	9,997	3,207	2,008	1,238	33,095	3	33,098
Depreciation and amortization	(8,312)	(747)	(2,972)	(21)	(1,228)	(881)	(14,161)	-	(14,161)
Impairment of property, plant and equipment and intangible assets including goodwill	1	(996)	(8)	24	1	5	(973)	-	(973)
EBIT	6,460	115	7,027	3,210	783	400	17,995	3	17,998
Interest on debt and provisions	(1,622)	(172)	(189)	(6)	(94)	(176)	(2,259)	396	(1,863)
Interest income	460	-	23	7	5	72	567	(396)	171
Share of profit (loss) from joint-ventures	(11)	20	27	94	2	(105)	27	-	27
Income taxes	(1,061)	(134)	(1,296)	(561)	(135)	(113)	(3,300)	-	(3,300)
Net income	18,015	(61)	5,590	2,742	1,402	855	28,543	(14,746)	13,797
Capital expenditure	7,736	(1)	4,379	15	634	3,876	16,639	(3,371)	13,268

December 31, 2016:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Identifiable assets	257,357	30,075	109,807	899	21,100	8,610	427,846	(953)	426,895
Investment in joint-ventures	198	544	295	756	181	3,335	5,309	-	5,309
Unallocated assets									198,637
Total assets									630,841

Identification of ČEZ, a. s.

ČEZ, a. s.
Duhová 2/1444
140 53 Praha 4
Czechia

Registered in the Commercial Register kept by the
Municipal Court in Prague, Section B, File 1581

Established:	1992
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VAT ID No.:	CZ45274649
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Closing date of the 2017 Half-Year Report: August 23, 2017