

CEZ GROUP

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017

in CZK Millions

	Note	September 30, 2017	December 31, 2016
Assets			
Property, plant and equipment:			
Plant in service		777,737	775,181
Less accumulated depreciation and impairment		(433,659)	(418,981)
Net plant in service		344,078	356,200
Nuclear fuel, at amortized cost		15,369	14,892
Construction work in progress		60,898	55,803
Total property, plant and equipment		420,345	426,895
Other non-current assets:			
Investment in joint-ventures	5	3,455	5,309
Restricted financial assets		19,118	19,011
Investments and other financial assets, net		9,891	14,460
Intangible assets, net		25,606	21,983
Deferred tax assets		1,028	1,596
Total other non-current assets		59,098	62,359
Total non-current assets		479,443	489,254
Current assets:			
Cash and cash equivalents		13,783	11,226
Receivables, net		50,495	56,331
Income tax receivable		3,596	1,181
Materials and supplies, net		14,645	7,520
Fossil fuel stocks		695	996
Emission rights		6,643	3,958
Other financial assets, net		38,967	56,501
Other current assets		3,818	3,227
Assets classified as held for sale	7	714	647
Total current assets		133,356	141,587
Total assets		612,799	630,841

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017

continued

	Note	September 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		199,765	207,259
Total equity attributable to equity holders of the parent		249,318	256,812
Non-controlling interests		4,650	4,548
Total equity		253,968	261,360
Long-term liabilities:			
Long-term debt, net of current portion	10	136,320	142,265
Provisions		66,288	66,360
Deferred tax liabilities		22,598	20,213
Other long-term liabilities		11,688	11,203
Total long-term liabilities		236,894	240,041
Current liabilities:			
Short-term loans	11	11,929	8,343
Current portion of long-term debt	10	9,543	17,208
Trade and other payables		81,377	80,516
Income tax payable		121	392
Provisions		7,605	8,160
Accrued liabilities		11,202	14,251
Liabilities associated with assets classified as held for sale	7	160	570
Total current liabilities		121,937	129,440
Total equity and liabilities		612,799	630,841

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

in CZK Millions

	Note	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Sales of electricity and related services		124,671	125,998	40,057	41,344
Sales of gas, coal, heat and other revenues		19,485	17,858	5,362	4,343
Other operating income		2,576	1,252	430	518
Total revenues and other operating income		146,732	145,108	45,849	46,205
Gains and losses from commodity derivative trading, net		(116)	299	(715)	(384)
Fuel		(9,384)	(9,389)	(3,046)	(3,018)
Purchased power and related services		(65,275)	(64,077)	(21,007)	(21,450)
Repairs and maintenance		(2,889)	(2,810)	(1,330)	(1,193)
Depreciation and amortization		(22,549)	(21,260)	(7,567)	(7,099)
Impairment of property, plant and equipment and intangible assets including goodwill		(267)	(958)	4	15
Salaries and wages		(14,596)	(13,537)	(4,956)	(4,591)
Materials and supplies		(3,589)	(3,053)	(1,262)	(986)
Emission rights, net		(1,660)	(321)	(941)	(867)
Other operating expenses		(6,977)	(8,404)	(2,840)	(3,032)
Income before other income (expenses) and income taxes		19,430	21,598	2,189	3,600
Interest on debt, net of capitalized interest		(2,677)	(1,866)	(877)	(749)
Interest on provisions		(1,220)	(1,122)	(406)	(376)
Interest income		206	249	72	78
Foreign exchange rate gains (losses), net		726	(607)	265	74
Other financial expenses	4	(1,309)	(257)	(215)	60
Other financial income	4	5,668	1,231	109	(531)
Share of profit (loss) from joint-ventures	5	(1,350)	(965)	(1,095)	(992)
Total other income (expenses)		44	(3,337)	(2,147)	(2,436)
Income before income taxes		19,474	18,261	42	1,164
Income taxes		(2,882)	(3,554)	(108)	(254)
Net income		16,592	14,707	(66)	910
Net income attributable to:					
Equity holders of the parent		16,108	14,442	(206)	813
Non-controlling interests		484	265	140	97
Net income per share attributable to equity holders of the parent (CZK per share)					
Basic		30.2	27.0	(0.4)	1.5
Diluted		30.2	27.0	(0.4)	1.5

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

in CZK Millions

	Note	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Net income		16,592	14,707	(66)	910
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		(965)	(3,087)	(4,727)	(1,799)
Cash flow hedges reclassified to statement of income		3,633	(414)	896	(150)
Change in fair value of available-for-sale financial assets recognized in equity		(1,151)	2,211	(294)	764
Available-for-sale financial assets reclassified from equity	4	(5,588)	(3)	29	(2)
Translation differences - subsidiaries		(2,361)	25	(909)	291
Translation differences - joint-ventures		538	(298)	877	(282)
Translation differences reclassified from equity		-	(102)	-	-
Share on other equity movements of joint-ventures		44	33	9	8
Deferred tax related to other comprehensive income	12	(330)	627	769	340
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(6,180)	(1,008)	(3,350)	(830)
Total comprehensive income, net of tax		<u>10,412</u>	<u>13,699</u>	<u>(3,416)</u>	<u>80</u>
Total comprehensive income attributable to:					
Equity holders of the parent		10,073	13,435	(3,485)	(3)
Non-controlling interests		339	264	69	83

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

in CZK Millions

	Note	Attributable to equity holders of the parent						Non-controlling interests	Total equity
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	272,155
Net income		-	-	-	-	-	14,442	14,442	14,707
Other comprehensive income		-	-	(374)	(2,835)	2,170	32	(1,007)	(1,008)
Total comprehensive income		-	-	(374)	(2,835)	2,170	14,474	13,435	13,699
Dividends		-	-	-	-	-	(21,320)	(21,320)	(21,328)
Share options		-	-	-	-	16	-	16	16
Transfer of exercised and forfeited share options within equity		-	-	-	-	(24)	24	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	9	9
September 30, 2016		<u>53,799</u>	<u>(4,246)</u>	<u>(9,874)</u>	<u>(2,921)</u>	<u>5,404</u>	<u>217,862</u>	<u>260,024</u>	<u>264,551</u>
December 31, 2016		53,799	(4,246)	(10,779)	(7,499)	7,839	217,698	256,812	261,360
Net income		-	-	-	-	-	16,108	16,108	16,592
Other comprehensive income		-	-	(1,678)	2,161	(6,562)	44	(6,035)	(6,180)
Total comprehensive income		-	-	(1,678)	2,161	(6,562)	16,152	10,073	10,412
Dividends	9	-	-	-	-	-	(17,586)	(17,586)	(17,823)
Share options		-	-	-	-	19	-	19	19
Transfer of forfeited share options within equity		-	-	-	-	(22)	22	-	-
September 30, 2017		<u>53,799</u>	<u>(4,246)</u>	<u>(12,457)</u>	<u>(5,338)</u>	<u>1,274</u>	<u>216,286</u>	<u>249,318</u>	<u>253,968</u>

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

in CZK Millions

	Note	1-9/2017	1-9/2016
Operating activities:			
Income before income taxes		19,474	18,261
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		22,549	21,260
Amortization of nuclear fuel		2,663	2,489
Gain on non-current asset retirements, net		(5,845)	(96)
Foreign exchange rate losses (gains), net		(726)	607
Interest expense, interest income and dividend income, net		2,237	989
Provisions		(882)	(494)
Impairment of property, plant and equipment and intangible assets including goodwill		267	958
Valuation allowances and other adjustments		1,042	(333)
Share of (profit) loss from joint-ventures		1,350	965
Changes in assets and liabilities:			
Receivables		5,758	(3,896)
Materials, supplies and fossil fuel stocks		(966)	(197)
Receivables and payables from derivatives		(2,429)	2,200
Other current assets		(1,363)	4,239
Trade and other payables		1,216	1,423
Accrued liabilities		(3,301)	(1,294)
Cash generated from operations		41,044	47,081
Income taxes paid		(3,026)	(5,733)
Interest paid, net of capitalized interest		(2,507)	(1,727)
Interest received		212	243
Dividends received		433	606
Net cash provided by operating activities		36,156	40,470
Investing activities:			
Acquisition of subsidiaries and joint-ventures, net of cash acquired	6	(4,916)	(370)
Disposal of subsidiaries and joint-ventures, net of cash disposed of		1,315	177
Additions to non-current assets, including capitalized interest		(21,631)	(28,054)
Proceeds from sale of non-current assets	4	14,023	227
Loans made		(21)	(3)
Repayment of loans		356	228
Change in restricted financial assets		(867)	(935)
Total cash used in investing activities		(11,741)	(28,730)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

continued

	Note	1-9/2017	1-9/2016
Financing activities:			
Proceeds from borrowings		118,777	63,667
Payments of borrowings		(121,919)	(51,901)
Proceeds from other long-term liabilities		52	59
Payments of other long-term liabilities		(54)	(687)
Dividends paid to Company's shareholders		(17,544)	(21,249)
Dividends paid to non-controlling interests		(237)	(8)
Acquisition of non-controlling interests		(259)	(5)
Total cash used in financing activities		(21,184)	(10,124)
Net effect of currency translation in cash		(252)	20
Net increase in cash and cash equivalents		2,979	1,636
Cash and cash equivalents at beginning of period	8	11,330	13,482
Cash and cash equivalents at end of period	8	14,309	15,118
Supplementary cash flow information			
Total cash paid for interest		3,907	4,325

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

CEZ GROUP
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2017

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 September 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 nine months ended September 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):

	1-9/2017			1-9/2016
	MOL shares and conversion option	Bond buy back	Total	MOL shares and conversion option
Loss from conversion option revaluation	-	-	-	(98)
Other financial expenses	(95)	(494)	(589)	-
Other financial expenses	(95)	(494)	(589)	(98)
Gain from conversion option revaluation	503	-	503	-
Gain from sale of MOL shares ¹⁾	4,599	-	4,599	-
Dividend income	-	-	-	378
Other financial income	5,102	-	5,102	378
Total	5,007	(494)	4,513	280

¹⁾ The accumulated gain from revaluation of MOL shares in the amount of CZK 5,537 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 12,139 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 12,931 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 692 million.

5. Investment in Joint-ventures

The changes in investment in joint-ventures during the first nine months of 2017 were as follows (in CZK millions):

	Balance at January 1, 2017	Share on net income (loss)	Share on other compre- hensive income	Dividends	Other cash transactions	Balance at September 30, 2017
Akcez Group	305	(585)	280	-	-	-
Akenerji Group	240	(682)	442	-	-	-
CM European Power International B.V.	1,189	(1)	(30)	(208)	(943)	7
Jadrová energetická spoločnosť Slovenska, a. s.	2,842	(27)	(109)	-	-	2,706
ČEZ Energo, s.r.o.	544	(59)	-	-	75	560
Other	189	4	(1)	(10)	-	182
Investment in joint- ventures	<u>5,309</u>	<u>(1,350)</u>	<u>582</u>	<u>(218)</u>	<u>(868)</u>	<u>3,455</u>

In accordance to Group accounting policy the Group recognized its share on total comprehensive income of joint-ventures only to the extent to avoid the investments in joint-ventures to become negative providing the Group has no obligation to reimburse the losses. As of September 30, 2017 the share on losses of joint-ventures Akcez Enerji A.S. and Akenerji Elektrik Üretim A.S. exceeded the carrying amounts of Group's investments in these joint-ventures. The Group has recognized its full share on net loss and its share on other comprehensive income only to the extent to recognize nil carrying amounts of these investments. This amount is included in the item Translation differences - joint-ventures in the statement of comprehensive income. Unrecognized share of the Group on losses amounted to CZK 266 million for Akcez Enerji A.S. and CZK 681 million for Akenerji Elektrik Üretim A.S. as of September 30, 2017.

6. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in the first nine months of 2017

On August 24, 2017 the Group acquired a 100% interest in Elevion GmbH. Elevion specializes in both the installation of electrical and mechanical energy equipment in greenfield projects as well as in existing structures and also provides the complete technical management of buildings and overall improvement of energy consumption of customers facilities and processes.

On September 4, 2017 the Group acquired a 100% interest in KART spol. s r. o., which provides building facility management services and servicing of technical equipment of buildings. It also supplies and installs air-conditioning, heating and cooling equipment, measurement and control systems or power distribution systems. It also performs designing and inspection of electrical equipment, pressure vessels and boiler rooms.

Due to the fact that the fair values of acquired identifiable assets and liabilities for Elevion Group have not been determined, the Group has made a provisional accounting of the acquired identifiable assets and liabilities based on their book values which represent the best estimate of their fair values as of the date of interim financial statements. The values of acquired identifiable assets and liabilities as of the date of acquisitions were as follows (in CZK millions):

	Elevion Group	KART, spol. s r. o.	Total
Share of the Group	100 %	100 %	
Property, plant and equipment	99	-	99
Intangible assets, net	67	-	67
Other non-current assets	4	-	4
Materials and supplies, net	5,877	4	5,881
Receivables, net	849	19	868
Cash and cash equivalents	351	33	384
Other current assets	21	-	21
Long-term debt, net of current portion	(49)	-	(49)
Trade and other payables	(6,471)	(7)	(6,478)
Accrued liabilities	-	(2)	(2)
Total net assets	748	47	795
Share of net assets acquired	748	47	795
Goodwill	4,278	73	4,351
Total purchase consideration	5,026	120	5,146
Liabilities from acquisition of the subsidiary	-	(15)	(15)
Cash outflow on acquisition of the subsidiary in 2017	5,026	105	5,131
Less:			
Cash and cash equivalents in the subsidiary acquired	(351)	(33)	(384)
Cash outflow on acquisition of the subsidiary in 2017, net	4,675	72	4,747
Net income since 1.1. till acquisition date	219	14	233
Revenues and other operating income since 1.1. till acquisition date	1,268	100	1,368

If the combinations had taken place at the beginning of the year 2017, net income for CEZ Group as of September 30, 2017 would have been CZK 16,825 million and the revenues and other operating

income from continuing operations would have been CZK 148,100 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

The following table summarizes the cash flows related to acquisitions during first nine months of 2017 (in CZK millions):

Investment in subsidiaries	5,146
Cash contributions to joint-ventures	75
Change in payables from acquisitions	79
Less cash acquired	(384)
Total cash outflows on acquisitions	<u>4,916</u>

7. Assets and Associated Liabilities Classified as Held for Sale

The Group classified the assets and the liabilities of TEC Varna EAD as the assets held for sale. The Group ceased the generation of electricity in the coal-fired power plant of TEC Varna EAD as of December 31, 2014 (see Note 14).

The assets classified as held for sale and associated liabilities at September 30, 2017 and December 31, 2016 are as follows (in CZK millions):

	September 30, 2017			December 31, 2016
	TEC Varna	Other	Total	Total
Property, plant and equipment	139	31	170	226
Restricted financial assets	-	-	-	13
Cash and cash equivalents	526	-	526	104
Receivables, net	2	-	2	152
Other current assets	16	-	16	152
Assets classified as held for sale	683	31	714	647
Non-current provisions	132	-	132	328
Deferred tax liabilities	2	-	2	-
Trade and other payables	3	-	3	24
Current provisions	22	-	22	129
Other current liabilities	1	-	1	89
Liabilities associated with assets classified as held for sale	160	-	160	570

The assets and results associated with the assets classified as held for sale are reported in the operating segments Generation - Traditional Energy and Generation - New Energy.

8. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at September 30, 2017 and December 31, 2016 (in CZK millions):

	September 30, 2017	December 31, 2016
Cash and cash equivalents as a separate line in the balance sheet	13,783	11,226
Cash and cash equivalents attributable to assets classified as held for sale	526	104
Total	<u>14,309</u>	<u>11,330</u>

9. 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.

10. Long-term Debt

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

	September 30, 2017	December 31, 2016
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,340	2,621
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,561	1,748
5.000% Eurobonds, due 2021 (EUR 750 million)	19,437	20,211
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,296	1,348
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,167	1,207
3M Euribor + 0.55% Eurobonds, due 2018 (EUR 200 million)	5,189	5,383
4.875% Eurobonds, due 2025 (EUR 750 million)	19,418	20,193
4.500% Eurobonds, due 2020 (EUR 750 million)	19,406	20,165
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,249	2,519
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,249	1,248
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) ¹⁾	2,597	2,702
4.102% Eurobonds, due 2021 (EUR 50 million)	1,296	1,348
4.250% U.S. bonds, due 2022 (USD 289 million)	6,316	7,353
5.625% U.S. bonds, due 2042 (USD 300 million)	6,535	7,613
4.375% Eurobonds, due 2042 (EUR 50 million)	1,275	1,326
4.500% Eurobonds, due 2047 (EUR 50 million)	1,275	1,325
4.383% Eurobonds, due 2047 (EUR 80 million)	2,078	2,162
3.000% Eurobonds, due 2028 (EUR 725 million) ²⁾	19,352	13,337
4.500% registered bonds, due 2030 (EUR 40 million)	1,021	1,061
4.750% registered bonds, due 2023 (EUR 40 million)	1,031	1,072
4.700% registered bonds, due 2032 (EUR 40 million)	1,034	1,075
4.270% registered bonds, due 2047 (EUR 61 million)	1,560	1,622
3.550% registered bonds, due 2038 (EUR 30 million)	776	807
Exchangeable bonds, due 2017 (EUR 468.6 million) ³⁾	-	12,598
Total bonds and debentures	119,458	132,044
Less: Current portion	(6,356)	(13,805)
Bonds and debentures, net of current portion	113,102	118,239
Long-term bank and other loans:		
Total long-term bank and other loans	26,405	27,429
Less: Current portion	(3,187)	(3,403)
Long-term bank and other loans, net of current portion	23,218	24,026
Total long-term debt	145,863	159,473
Less: Current portion	(9,543)	(17,208)
Total long-term debt, net of current portion	136,320	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⁾ In September 2017 were issued bonds in amount of EUR 225 million.

³⁾ Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC (see Note 4).

11. Short-term Loans

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

	September 30, 2017	December 31, 2016
Short-term bank loans	11,440	7,962
Bank overdrafts	489	381
Total	11,929	8,343

12. Income Taxes

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

	1-9/2017			1-9/2016		
	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	(965)	183	(782)	(3,087)	587	(2,500)
Cash flow hedges reclassified to statement of income	3,633	(690)	2,943	(414)	79	(335)
Change in fair value of available-for-sale financial assets recognized in equity	(1,151)	164	(987)	2,211	(39)	2,172
Available-for-sale financial assets reclassified from equity	(5,588)	13	(5,575)	(3)	-	(3)
Translation differences - subsidiaries	(2,361)	-	(2,361)	25	-	25
Translation differences - joint- ventures	538	-	538	(298)	-	(298)
Translation differences reclassified from equity	-	-	-	(102)	-	(102)
Share on other equity movements of joint-ventures	44	-	44	33	-	33
Total	(5,850)	(330)	(6,180)	(1,635)	627	(1,008)

13. Segment Information

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

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

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):

	1-9/2017	1-9/2016
Income before other income (expenses) and income taxes (EBIT)	19,430	21,598
Depreciation and amortization	22,549	21,260
Impairment of property, plant and equipment and intangible assets including goodwill	267	958
Gains and losses on sale of property, plant and equipment, net *	(1,192)	(59)
EBITDA	41,054	43,757

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

September 30, 2017:

	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income - other than intersegment	40,166	3,290	21,520	76,507	3,542	1,707	146,732	-	146,732
Revenues and other operating income - intersegment	21,830	556	20,647	3,543	3,410	10,882	60,868	(60,868)	-
Total revenues and other operating income	61,996	3,846	42,167	80,050	6,952	12,589	207,600	(60,868)	146,732
EBITDA	14,343	3,386	14,559	3,494	3,287	1,981	41,050	4	41,054
Depreciation and amortization	(13,660)	(1,270)	(4,669)	(62)	(1,743)	(1,145)	(22,549)	-	(22,549)
Impairment of property, plant and equipment and intangible assets including goodwill	-	(267)	(6)	-	-	6	(267)	-	(267)
EBIT	1,833	1,849	9,900	3,433	1,545	866	19,426	4	19,430
Interest on debt and provisions	(3,544)	(202)	(248)	(17)	(141)	(201)	(4,353)	456	(3,897)
Interest income	482	-	22	-	2	156	662	(456)	206
Share of profit (loss) from joint-ventures	(682)	(59)	42	(456)	4	(199)	(1,350)	-	(1,350)
Income taxes	197	(186)	(1,776)	(611)	(295)	(211)	(2,882)	-	(2,882)
Net income	10,113	1,397	7,941	2,310	1,831	5,509	29,101	(12,509)	16,592
Identifiable assets	248,535	29,605	112,707	1,038	20,257	9,075	421,217	(872)	420,345
Investment in joint-ventures	-	560	-	-	174	2,721	3,455	-	3,455
Unallocated assets									188,999
Total assets									612,799
Capital expenditure	7,471	517	8,653	131	893	4,527	22,192	(2,957)	19,235

September 30, 2016:									
	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income - other than intersegment	38,034	2,727	21,360	77,810	3,407	1,770	145,108	-	145,108
Revenues and other operating income - intersegment	22,825	473	21,699	4,040	3,569	13,682	66,288	(66,288)	-
Total revenues and other operating income	60,859	3,200	43,059	81,850	6,976	15,452	211,396	(66,288)	145,108
EBITDA	17,407	2,382	14,647	4,061	3,237	2,019	43,753	4	43,757
Depreciation and amortization	(12,537)	(1,107)	(4,470)	(51)	(1,834)	(1,261)	(21,260)	-	(21,260)
Impairment of property, plant and equipment and intangible assets including goodwill	2	(998)	(3)	24	2	15	(958)	-	(958)
EBIT	4,875	278	10,187	4,034	1,406	814	21,594	4	21,598
Interest on debt and provisions	(2,640)	(243)	(276)	(12)	(139)	(267)	(3,577)	589	(2,988)
Interest income	689	-	33	8	7	101	838	(589)	249
Share of profit (loss) from joint-ventures	(350)	8	(507)	118	10	(244)	(965)	-	(965)
Income taxes	(462)	(60)	(1,865)	(709)	(251)	(207)	(3,554)	-	(3,554)
Net income	15,157	294	7,561	3,404	1,906	1,133	29,455	(14,748)	14,707
Capital expenditure	12,782	2	6,818	48	1,015	6,629	27,294	(5,777)	21,517
December 31, 2016:									
	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Identifiable assets	257,357	30,075	109,807	899	21,100	8,610	427,848	(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

14. Events after the Balance Sheet Date

On October 31, 2017 ČEZ, a. s., concluded an agreement to sale its 100% share in TEC Varna EAD to the company SIGDA OOD. The transaction is subject to approval of the Bulgarian antimonopoly authority (see Note 7).