

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF MARCH 31, 2018

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2018**

in CZK Millions

	Note	March 31, 2018	December 31, 2017
ASSETS:			
Plant in service		810,938	833,359
Less accumulated depreciation and impairment		(428,447)	(437,210)
Net plant in service		382,491	396,149
Nuclear fuel, at amortized cost		14,335	15,218
Construction work in progress		16,216	16,652
Total property, plant and equipment		413,042	428,019
Investment in associates and joint-ventures		3,540	3,520
Restricted financial assets, net		18,218	18,468
Investments and other financial assets, net		8,749	9,845
Intangible assets, net		25,989	26,804
Deferred tax assets		911	1,297
Total other non-current assets		57,407	59,934
Total non-current assets		470,449	487,953
Cash and cash equivalents, net		11,541	12,623
Receivables, net		64,996	57,766
Income tax receivable		1,995	1,171
Materials and supplies, net		9,330	9,537
Fossil fuel stocks		722	1,021
Emission rights		8,428	9,370
Other financial assets, net		38,141	43,052
Other current assets		3,585	3,684
Assets classified as held for sale	5	16,652	30
Total current assets		155,390	138,254
Total assets		625,839	626,207

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

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2018**

continued

	Note	March 31, 2018	December 31, 2017
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(3,884)	(4,077)
Retained earnings and other reserves		211,292	200,296
Total equity attributable to equity holders of the parent		261,207	250,018
Non-controlling interests		4,390	4,304
Total equity		265,597	254,322
Long-term debt, net of current portion	6	129,643	132,475
Provisions		73,327	73,291
Deferred tax liabilities		21,843	19,993
Other long-term liabilities		9,899	15,844
Total long-term liabilities		234,712	241,603
Short-term loans	7	4,797	11,072
Current portion of long-term debt	6	3,168	8,622
Trade and other payables		89,058	87,236
Income tax payable		177	176
Provisions		9,143	9,226
Accrued liabilities		13,073	13,950
Liabilities associated with assets classified as held for sale	5	6,114	-
Total current liabilities		125,530	130,282
Total equity and liabilities		625,839	626,207

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018

in CZK Millions

	Note	1-3/2018	1-3/2017
Sales of electricity and related services		34,588	43,862
Sales of gas, coal, heat and other revenues		10,353	8,508
Other operating income		461	452
Total revenues and other operating income	8	45,402	52,822
Gains and losses from commodity derivative trading, net		857	1,533
Fuel		(3,351)	(3,633)
Purchased power and related services		(14,420)	(23,500)
Repairs and maintenance		(623)	(586)
Depreciation and amortization		(7,129)	(7,497)
Impairment of property, plant and equipment and intangible assets including goodwill		5	(1)
Salaries and wages		(5,709)	(4,645)
Materials and supplies		(1,868)	(1,070)
Emission rights, net		194	173
Other operating expenses		(2,959)	(1,941)
Income before other income (expenses) and income taxes		10,399	11,655
Interest on debt, net of capitalized interest		(1,217)	(931)
Interest on provisions		(449)	(407)
Interest income		40	67
Foreign exchange rate gains (losses), net		(187)	(100)
Other financial expenses		(62)	(29)
Other financial income		408	799
Share of profit (loss) from associates and joint-ventures		(29)	(393)
Total other income (expenses)		(1,496)	(994)
Income before income taxes		8,903	10,661
Income taxes		(1,648)	(1,987)
Net income		7,255	8,674
Net income attributable to:			
Equity holders of the parent		7,121	8,569
Non-controlling interests		134	105
Net income per share attributable to equity holders of the parent (CZK per share)			
Basic		13.3	16.0
Diluted		13.3	16.0

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018

in CZK Millions

	Note	1-3/2018	1-3/2017
Net income		7,255	8,674
Change in fair value of cash flow hedges recognized in equity		811	1,787
Cash flow hedges reclassified to statement of income		1,515	722
Change in fair value of debt instruments recognized in equity		(176)	(634)
Debt instruments reclassified from equity		-	(17)
Change in fair value of equity instruments recognized in equity		-	(463)
Equity instruments reclassified from equity		-	(19)
Translation differences - subsidiaries		(279)	239
Translation differences – associates and joint-ventures		11	(113)
Translation differences reclassified from equity		12	-
Share on other equity movements of associates and joint-ventures		-	26
Deferred tax related to other comprehensive income	9	(399)	(352)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		1,495	1,176
Total comprehensive income, net of tax		<u>8,750</u>	<u>9,850</u>
Total comprehensive income attributable to:			
Equity holders of the parent		8,632	9,744
Non-controlling interests		118	106

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

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

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	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
December 31, 2016		53,799	(4,246)	(10,779)	(7,499)	1,666	6,173	217,698	256,812	4,548	261,360
Net income		-	-	-	-	-	-	8,569	8,569	105	8,674
Other comprehensive income		-	-	124	2,032	(525)	(492)	36	1,175	1	1,176
Total comprehensive income		-	-	124	2,032	(525)	(492)	8,605	9,744	106	9,850
Share options		-	-	-	-	-	6	-	6	-	6
Transfer of exercised and forfeited share options within equity		-	-	-	-	-	(1)	1	-	-	-
March 31, 2017		<u>53,799</u>	<u>(4,246)</u>	<u>(10,655)</u>	<u>(5,467)</u>	<u>1,141</u>	<u>5,686</u>	<u>226,304</u>	<u>266,562</u>	<u>4,654</u>	<u>271,216</u>

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018

continued

	Note	Attributable to equity holders of the parent								Non-controlling interests	Total equity
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	Total		
December 31, 2017		53,799	(4,077)	(11,906)	(7,757)	677	571	218,711	250,018	4,304	254,322
Application of new IFRSs	2.2	-	-	143	-	-	(493)	2,818	2,468	(24)	2,444
January 1, 2018 (restated)		53,799	(4,077)	(11,763)	(7,757)	677	78	221,529	252,486	4,280	256,766
Net income		-	-	-	-	-	-	7,121	7,121	134	7,255
Other comprehensive income		-	-	(241)	1,894	(142)	-	-	1,511	(16)	1,495
Total comprehensive income		-	-	(241)	1,894	(142)	-	7,121	8,632	118	8,750
Sale of treasury shares		-	193	-	-	-	-	(119)	74	-	74
Share options		-	-	-	-	-	8	-	8	-	8
Transfer of exercised and forfeited share options within equity		-	-	-	-	-	(6)	6	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	8	8	(13)	(5)
Sale of non-controlling interests		-	-	-	-	-	-	-	-	4	4
Put options held by non-controlling interests		-	-	-	-	-	-	-	(1)	1	-
March 31, 2018		<u>53,799</u>	<u>(3,884)</u>	<u>(12,005)</u>	<u>(5,863)</u>	<u>535</u>	<u>80</u>	<u>228,545</u>	<u>261,207</u>	<u>4,390</u>	<u>265,597</u>

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

in CZK Millions

	Note	1-3/2018	1-3/2017
OPERATING ACTIVITIES:			
Income before income taxes		8,903	10,661
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		7,129	7,497
Amortization of nuclear fuel		942	923
Gain on non-current asset retirements, net		(38)	(153)
Foreign exchange rate losses (gains), net		187	100
Interest expense, interest income and dividend income, net		1,177	863
Provisions		532	85
Impairment of property, plant and equipment and intangible assets including goodwill		(5)	1
Valuation allowances and other adjustments		1,815	(362)
Share of (profit) loss from associates and joint-ventures		29	393
Changes in assets and liabilities:			
Receivables		(11,167)	(245)
Materials, supplies and fossil fuel stocks		322	316
Receivables and payables from derivatives		(636)	(3,104)
Other current assets		930	(783)
Trade and other payables		10,057	1,453
Accrued liabilities		(1,466)	(3,114)
Cash generated from operations		18,711	14,531
Income taxes paid		(1,014)	(1,504)
Interest paid, net of capitalized interest		(567)	(424)
Interest received		34	76
Net cash provided by operating activities		17,164	12,679
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(232)	-
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		-	1,048
Additions to non-current assets, including capitalized interest		(4,753)	(6,247)
Proceeds from sale of non-current assets		90	108
Loans made		(8)	(5)
Repayment of loans		-	353
Change in restricted financial assets		63	(390)
Total cash used in investing activities		(4,840)	(5,133)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

continued

	<u>Note</u>	<u>1-3/2018</u>	<u>1-3/2017</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings		20,715	37,323
Payments of borrowings		(32,412)	(37,830)
Proceeds from other long-term liabilities		7	10
Payments of other long-term liabilities		(19)	(17)
Dividends paid to Company's shareholders		(15)	(39)
Sale of treasury shares		72	-
Sale of non-controlling interests		5	-
Total cash used in financing activities		<u>(11,647)</u>	<u>(553)</u>
Net effect of currency translation and impairment in cash		<u>(36)</u>	<u>43</u>
Net increase in cash and cash equivalents		641	7,036
Cash and cash equivalents at beginning of period		<u>12,623</u>	<u>11,330</u>
Cash and cash equivalents at end of period		<u><u>13,264</u></u>	<u><u>18,366</u></u>
Supplementary cash flow information			
Total cash paid for interest		601	645

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

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2018

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech joint-stock company, owned 69.8% (70.3% of voting rights) at March 31, 2018 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

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

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the three months ended March 31, 2018 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, 2017](#).

2.2. Changes in Accounting Policies

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, 2017](#), except for as follows. As of January 1, 2018 the Group applies new International Financial Reporting Standards IFRS 9 Financial Instruments and IFRS 15 Revenues from Contracts with Customers. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim consolidated financial statements.

The Group has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the presentation of the comparative information for the period beginning January 1, 2017. Under IFRS 9, the Group split old category of Available-for-sale financial assets into new categories Debt instruments and Equity instruments. The impact of the change in the presentation affected the layout of Consolidated statement of changes in equity and Consolidated statement of comprehensive income for the actual and previous period.

Due to the application IFRS 9, some assets were reclassified from category Available-for-sale to category Fair value through profit or loss and accumulated reserve from revaluation of Available-for-sale financial assets amounting CZK 350 million was transferred to retained earnings. Impact of creation of new allowances on receivables and other assets is stated in the table below.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect as of the date of application, resulting from recognition of deferred connection fees received from customers prior 2009 in retained earnings, is disclosed in the table below.

The Group recognized as of the date of application of IFRS 9 and IFRS 15 following impact affecting amount of equity (in CZK millions):

	<u>IFRS 9</u>	<u>IFRS 15</u>	<u>Total</u>
Receivables, net	(62)	-	(62)
Other	(17)	-	(17)
Total assets	(79)	-	(79)
Deferred tax liability	13	(581)	(568)
Other long-term liabilities	-	3,091	3,091
Total liabilities	-	2,510	2,523
Impact on Total equity	<u>(66)</u>	<u>2,510</u>	<u>2,444</u>
Less: Non-controlling interests	<u>(4)</u>	<u>(20)</u>	<u>(24)</u>
Impact on Total equity attributable to equity holders of the parent	<u>(62)</u>	<u>2,530</u>	<u>2,468</u>

In addition to above mentioned effect of IFRS 15 related to connection fees, the Group as a result of application of IFRS 15 changed from January 1, 2018 also the way of presentation revenue and costs in situation when the Group acts as energy provider without distributing it. In these circumstances the Group acts as an agent under IFRS 15 and no revenue and costs for distribution services is recognized, with no effect to net income. The table below presents amounts for selected items of statement of income for 1-3/2017 comparing previously reported figures according to IAS 18, which was replaced from January 1, 2018 by IFRS 15, and adjustments which would be necessary for compliance with IFRS 15 (in CZK millions):

	<u>1-3/2017 according to IAS 18</u>	<u>Effect of connection fees</u>	<u>Effect of agent vs. principal</u>	<u>1-3/2017 according to IFRS 15</u>
Sales of electricity and related services	43,862	-	(5,564)	38,298
Sales of gas, coal, heat and other revenues	8,508	(172)	-	8,336
Total revenues and other operating income	52,822	(172)	(5,564)	47,086
Purchased power and related services	(23,500)	-	5,564	(17,936)
Income before income taxes	10,661	(172)	-	10,489
Income taxes	(1,987)	26	-	(1,961)
Net income	8,674	(146)	-	8,528

3. Seasonality of Operations

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

4. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in the first three months of 2018

On January 31, 2018 the Group acquired a 100% interest in Metrolog sp. z o.o. The company is an engineering firm that focuses on complex services related to heat management and decentralized heat and electricity generation. The values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	<u>Metrolog</u>
Property, plant and equipment	83
Intangible assets, net	51
Cash and cash equivalents	99
Receivables, net	61
Materials and supplies, net	23
Other current assets	2
Deferred tax liabilities	(10)
Trade and other payables	(36)
Other short-term liabilities	<u>(22)</u>
Total net assets	251
Share of net assets acquired	251
Goodwill	<u>120</u>
Total purchase consideration	371
Liabilities from acquisition of the subsidiary	<u>(40)</u>
Cash outflow on acquisition of the subsidiary in 2018	331
Less:	
Cash and cash equivalents in the subsidiary acquired	<u>(99)</u>
Cash outflow on acquisition of the subsidiary in 2018, net	<u><u>232</u></u>
Revenues and other operating income since 1.1. till acquisition date	24
Net income since 1.1. till acquisition date	-

If the combination had taken place at the beginning of the year 2018, net income for CEZ Group as of March 31, 2018 would have been CZK 7,255 million and the revenues and other operating income from continuing operations would have been CZK 45,426 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

From the acquisition date, the newly acquired subsidiaries have contributed the following balances to the Group's statement of income for 2018 (in CZK millions):

	<u>Metrolog</u>
Revenues and other operating income	63
Income (loss) before other income (expense) and income taxes	1
Net income (loss)	2
Net income (loss) attributable:	
Equity holders of the parent	2
Non-controlling interests	-

5. Assets and Associated Liabilities Classified as Held for Sale

On February 23, 2018, a sales contract for the sale of interests in Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its interest in CEZ ICT Bulgaria EAD), CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD was signed. The requirements of standard IFRS 5 to classify the assets as held for sale were met by granting prior consent to the transaction by the supervisory board of ČEZ, a. s. which took place on February 22, 2018.

The assets classified as held for sale and associated liabilities at March 31, 2018 and December 31, 2017 are as follows (in CZK millions):

	March 31, 2018	December 31, 2017
	Bulgarian companies	Other
Property, plant and equipment	9,910	30
Intangible assets	532	-
Deferred tax assets	43	-
Cash and cash equivalents	1,723	-
Receivables, net	3,763	-
Other current assets	681	-
Assets classified as held for sale	16,652	30
Non-current provisions	116	-
Long-term liabilities	1,759	-
Deferred tax liabilities	213	-
Short-term loans	642	-
Trade and other payables	2,791	-
Current provisions	499	-
Other current liabilities	94	-
Liabilities associated with assets classified as held for sale	6,114	-

6. Long-term Debt

Long-term debt at March 31, 2018 and December 31, 2017 is as follows (in CZK millions):

	March 31, 2018	December 31, 2017
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,320	2,263
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,547	1,510
5.000% Eurobonds, due 2021 (EUR 750 million)	19,035	19,114
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,270	1,275
3M Euribor + 0,55% Eurobonds, due 2018 (EUR 200 million)	-	5,106
4.875% Eurobonds, due 2025 (EUR 750 million)	19,014	19,095
4.500% Eurobonds, due 2020 (EUR 750 million)	19,012	19,087
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,230	2,175
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,249	1,249
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) ¹⁾	2,543	2,554
4.102% Eurobonds, due 2021 (EUR 50 million)	1,269	1,275
4.250% U.S. bonds, due 2022 (USD 289 million)	5,929	6,114
5.625% U.S. bonds, due 2042 (USD 300 million)	6,132	6,325
4.375% Eurobonds, due 2042 (EUR 50 million)	1,249	1,254
4.500% Eurobonds, due 2047 (EUR 50 million)	1,249	1,254
4.383% Eurobonds, due 2047 (EUR 80 million)	2,034	2,043
3.000% Eurobonds, due 2028 (EUR 725 million)	18,915	19,008
4.500% registered bonds, due 2030 (EUR 40 million)	1,000	1,004
4.750% registered bonds, due 2023 (EUR 40 million)	1,010	1,014
4.700% registered bonds, due 2032 (EUR 40 million)	1,012	1,016
4.270% registered bonds, due 2047 (EUR 61 million)	1,527	1,534
3.550% registered bonds, due 2038 (EUR 30 million)	760	763
Total bonds and debentures	110,306	116,032
Less: Current portion	-	(5,106)
Bonds and debentures, net of current portion	110,306	110,926
Long-term bank and other loans:		
Total long-term bank and other loans	22,505	25,065
Less: Current portion	(3,168)	(3,516)
Long-term bank and other loans, net of current portion	19,337	21,549
Total long-term debt	132,811	141,097
Less: Current portion	(3,168)	(8,622)
Total long-term debt, net of current portion	129,643	132,475

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.

7. Short-term Loans

Short-term loans at March 31, 2018 and December 31, 2017 are as follows (in CZK millions):

	March 31, 2018	December 31, 2017
Short-term bank loans	4,225	10,976
Bank overdrafts	572	96
Total	<u>4,797</u>	<u>11,072</u>

8. Revenues and Other Operating Income

The composition of revenues and other operating income for the years ended March 31, 2018 and 2017 is as follows (in CZK millions):

	1-3/2018	1-3/2017
Sales of electricity and related services:		
Sales of electricity to end customers	12,597	13,744
Sales of electricity through energy exchange	773	1,177
Sales of electricity to traders	8,573	9,326
Sales to distribution and transmission companies	46	64
Other sales of electricity	2,715	3,289
Effect of hedging - presales of electricity	(1,266)	78
Effect of hedging - currency risk hedging	109	(679)
Sales of ancillary, system, distribution and other services *	11,041	16,863
Total sales of electricity and related services	<u>34,588</u>	<u>43,862</u>
Sales of gas, coal, heat and other revenues:		
Sales of gas	3,413	3,337
Sales of coal	1,170	1,112
Sales of heat	2,731	2,684
Other *	3,039	1,375
Total sales of gas, coal, heat and other revenues	<u>10,353</u>	<u>8,508</u>
Other operating income:		
Contractual fines and interest fees for delays	86	43
Gain on sale of property, plant and equipment	12	124
Gain on sale of material	56	42
Other	307	243
Total other operating income	<u>461</u>	<u>452</u>
Total revenues and other operating income	<u>45,402</u>	<u>52,822</u>

* Application of IFRS 15 from January 1, 2018 affected this item (see also Note 2.2).

9. Income Taxes

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

	1-3/2018			1-3/2017		
	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	811	(154)	657	1,787	(340)	1,447
Cash flow hedges reclassified to statement of income	1,515	(279)	1,236	722	(137)	585
Change in fair value of debt instruments recognized in equity	(176)	34	(142)	(634)	121	(513)
Debt instruments reclassified from equity	-	-	-	(17)	4	(13)
Change in fair value of equity instruments recognized in equity	-	-	-	(463)	-	(463)
Equity instruments reclassified from equity	-	-	-	(19)	-	(19)
Translation differences - subsidiaries	(279)	-	(279)	239	-	239
Translation differences - associates and joint-ventures	11	-	11	(113)	-	(113)
Translation differences reclassified from equity	12	-	12	-	-	-
Share on other equity movements of associates and joint-ventures	-	-	-	26	-	26
Total	1,894	(399)	1,495	1,528	(352)	1,176

10. 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):

	<u>1-3/2018</u>	<u>1-3/2017</u>
Income before other income (expenses) and income taxes (EBIT)	10,399	11,655
Depreciation and amortization	7,129	7,497
Impairment of property, plant and equipment and intangible assets including goodwill	(5)	1
Gains and losses on sale of property, plant and equipment, net *	<u>(10)</u>	<u>(124)</u>
EBITDA	<u><u>17,513</u></u>	<u><u>19,029</u></u>

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

The following tables summarize segment information by operating segments for the three months ended March 31, 2018 and 2017 and at December 31, 2017 (in CZK millions):

March 31, 2018:

	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	12,049	1,207	6,067	24,359	1,225	495	45,402	-	45,402
Revenues and other operating income - intersegment	9,816	152	6,911	3,575	1,317	2,655	24,426	(24,426)	-
Total revenues and other operating income	21,865	1,359	12,978	27,934	2,542	3,150	69,828	(24,426)	45,402
EBITDA	7,972	1,097	5,360	1,257	1,250	575	17,511	2	17,513
Depreciation and amortization	(4,123)	(437)	(1,554)	(77)	(581)	(357)	(7,129)	-	(7,129)
Impairment of property, plant and equipment and intangible assets including goodwill	-	-	-	-	5	-	-	-	5
EBIT	(1,557)	(79)	(76)	(31)	(50)	(54)	(1,847)	181	(1,666)
Interest on debt and provisions	114	3	10	3	3	88	221	(181)	40
Share of profit (loss) from associates and joint-ventures	-	33	36	29	3	(130)	(29)	-	(29)
Income taxes	(477)	(43)	(699)	(224)	(129)	(76)	(1,648)	-	(1,648)
Net income	2,047	574	3,074	929	527	104	7,255	-	7,255
Identifiable assets	251,546	28,284	104,241	1,188	19,968	8,787	414,014	(972)	413,042
Investment in associates and joint-ventures	-	678	-	-	178	2,684	3,540	-	3,540
Unallocated assets									209,257
Total assets									<u>625,839</u>
Capital expenditure	746	119	1,796	47	22	543	3,273	(143)	3,130

March 31, 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	14,552	1,014	7,399	28,265	1,159	433	52,822	-	52,822
Revenues and other operating income - intersegment	8,982	241	8,002	1,263	1,356	3,094	22,938	(22,938)	-
Total revenues and other operating income	23,534	1,255	15,401	29,528	2,515	3,527	75,760	(22,938)	52,822
EBITDA	9,536	1,148	5,133	1,239	1,339	632	19,027	2	19,029
Depreciation and amortization	(4,537)	(426)	(1,550)	(21)	(582)	(381)	(7,497)	-	(7,497)
Impairment of property, plant and equipment and intangible assets including goodwill	-	-	-	-	(1)	-	(1)	-	(1)
EBIT	5,107	721	3,595	1,219	757	254	11,653	2	11,655
Interest on debt and provisions	(1,200)	(60)	(84)	(1)	(48)	(94)	(1,487)	149	(1,338)
Interest income	163	-	8	1	-	44	216	(149)	67
Share of profit (loss) from associates and joint-ventures	(161)	(6)	(33)	(48)	4	(149)	(393)	-	(393)
Income taxes	(794)	(57)	(660)	(268)	(147)	(61)	(1,987)	-	(1,987)
Net income	3,224	597	2,825	896	610	522	8,674	-	8,674
Capital expenditure	2,086	41	1,726	12	89	1,025	4,979	(677)	4,302
December 31, 2017:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Identifiable assets	255,773	28,845	113,805	1,110	20,517	9,050	429,100	(1,081)	428,019
Investment in associates joint-ventures	-	646	-	-	175	2,699	3,520	-	3,520
Unallocated assets									194,668
Total assets									<u>626,207</u>

11. Events after the Balance Sheet Date

On April 26, 2018 the Board of Directors of the Company decided to propose gross dividend of CZK 33 per share to the General Meeting of Shareholders which will take place on June 22, 2018.