

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF JUNE 30, 2019

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2019**

in CZK Millions

	Note	June 30, 2019	December 31, 2018
<b>ASSETS:</b>			
Plant in service		841,912	830,955
Less accumulated depreciation and impairment		(457,831)	(445,926)
<b>Net plant in service</b>		<b>384,081</b>	<b>385,029</b>
Nuclear fuel, at amortized cost		14,201	14,427
Construction work in progress, net		18,560	16,452
<b>Total property, plant and equipment</b>		<b>416,842</b>	<b>415,908</b>
Investments in associates and joint-ventures		3,301	3,361
Restricted financial assets, net		20,777	18,834
Other non-current financial assets, net		10,264	9,948
Intangible assets, net		32,755	31,127
Deferred tax assets		1,002	1,269
<b>Total other non-current assets</b>		<b>68,099</b>	<b>64,539</b>
<b>Total non-current assets</b>		<b>484,941</b>	<b>480,447</b>
Cash and cash equivalents, net		8,266	7,278
Trade receivables, net		64,886	72,234
Income tax receivable		1,945	352
Materials and supplies, net		9,676	8,737
Fossil fuel stocks		1,243	1,066
Emission rights		17,528	16,655
Other current financial assets, net		60,144	93,303
Other current assets, net		13,167	9,874
Assets classified as held for sale	5	17,008	17,497
<b>Total current assets</b>		<b>193,863</b>	<b>226,996</b>
<b>Total assets</b>		<b>678,804</b>	<b>707,443</b>

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

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2019**

continued

	Note	June 30, 2019	December 31, 2018
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(2,902)	(3,534)
Retained earnings and other reserves		192,087	184,456
<b>Total equity attributable to equity holders of the parent</b>		<b>242,984</b>	<b>234,721</b>
Non-controlling interests		4,581	4,560
<b>Total equity</b>		<b>247,565</b>	<b>239,281</b>
Long-term debt, net of current portion	7	124,668	142,440
Provisions		77,304	75,798
Other long-term financial liabilities		11,633	15,054
Deferred tax liability		21,150	16,699
Other long-term liabilities		31	31
<b>Total non-current liabilities</b>		<b>234,786</b>	<b>250,022</b>
Short-term loans	8	1,945	11,783
Current portion of long-term debt	7	25,661	6,743
Trade payables		54,355	63,093
Income tax payable		154	253
Provisions		9,682	12,323
Other short-term financial liabilities		91,517	110,287
Other short-term liabilities		7,698	7,461
Liabilities associated with assets classified as held for sale	5	5,441	6,197
<b>Total current liabilities</b>		<b>196,453</b>	<b>218,140</b>
<b>Total equity and liabilities</b>		<b>678,804</b>	<b>707,443</b>

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, 2019

in CZK Millions

	Note	1-6/2019	1-6/2018 *	4-6/2019	4-6/2018 *
Sales of electricity, heat, gas and coal		64,575	56,470	29,680	26,362
Sales of services and other revenues		33,423	28,443	17,335	12,955
Other operating income		2,030	1,339	1,164	582
<b>Total revenues and other operating income</b>	9	100,028	86,252	48,179	39,899
Gains and losses from commodity derivative trading		2,169	394	402	(1,027)
Purchase of electricity, gas and other energies		(27,811)	(23,677)	(13,402)	(11,424)
Fuel and emission rights		(9,810)	(7,745)	(4,441)	(3,959)
Services		(13,017)	(11,269)	(6,973)	(5,432)
Salaries and wages		(13,264)	(11,831)	(6,953)	(6,122)
Material and supplies		(4,423)	(3,785)	(2,407)	(1,917)
Capitalization of expenses to the cost of assets and change in own inventories		1,588	1,510	294	922
Depreciation and amortization		(14,204)	(14,096)	(7,215)	(6,967)
Impairment of property, plant and equipment and intangible assets		(826)	(157)	(314)	(162)
Impairment of trade and other receivables		(101)	(199)	(119)	(189)
Other operating expenses		(3,227)	(2,720)	(1,742)	(1,344)
<b>Income before other income (expenses) and income taxes</b>		17,102	12,677	5,309	2,278
Interest on debt		(2,698)	(2,492)	(1,334)	(1,275)
Interest on provisions		(933)	(900)	(468)	(451)
Interest income		210	125	100	85
Share of profit (loss) from associates and joint-ventures		(88)	(283)	(25)	(254)
Impairment of financial assets		31	3	(6)	2
Other financial expenses		(388)	(494)	(361)	(244)
Other financial income		401	687	214	279
<b>Total other income (expenses)</b>		(3,465)	(3,354)	(1,880)	(1,858)
<b>Income before income taxes</b>		13,637	9,323	3,429	420
Income taxes		(2,416)	(1,608)	(507)	40
<b>Net income</b>		11,221	7,715	2,922	460
Net income attributable to:					
Equity holders of the parent		11,133	7,509	2,935	388
Non-controlling interests		88	206	(13)	72
Net income per share attributable to equity holders of the parent (CZK per share):					
Basic		20.8	14.0	5.5	0.7
Diluted		20.8	14.0	5.5	0.7

\* The way of presentation was changed for 2018 year-end (see Note 2.2.2). The prior year figures were changed accordingly to provide comparative information on the same basis.

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, 2019**

in CZK Millions

	Note	1-6/2019	1-6/2018	4-6/2019	4-6/2018
<b>Net income</b>		11,221	7,715	2,922	460
Change in fair value of cash flow hedges		8,308	(7,211)	(683)	(8,022)
Cash flow hedges reclassified to statement of income		4,265	1,720	2,185	205
Change in fair value of debt instruments		400	(513)	367	(337)
Disposal of debt instruments		1	-	-	-
Translation differences – subsidiaries		(963)	581	(493)	860
Translation differences – associates and joint-ventures		20	101	(15)	90
Disposal of translation differences		-	12	-	-
Share on other equity movements of associates and joint-ventures		4	-	8	-
Deferred tax related to other comprehensive income	10	(2,464)	1,142	(355)	1,541
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		9,571	(4,168)	1,014	(5,663)
Re-measurement gains (losses) on defined benefit plans		2	-	-	-
<b>Net other comprehensive income not to be reclassified from equity in subsequent periods</b>		2	-	-	-
<b>Total other comprehensive income, net of tax</b>		9,573	(4,168)	1,014	(5,663)
<b>Total comprehensive income, net of tax</b>		20,794	3,547	3,936	(5,203)
Total comprehensive income attributable to:					
Equity holders of the parent		20,747	3,275	4,000	(5,357)
Non-controlling interests		47	272	(64)	154

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**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019**

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
<b>December 31, 2017</b>		53,799	(4,077)	(11,906)	(7,757)	678	570	218,711	250,018	4,304	254,322
Adoption of IFRS 9 and IFRS 15	2.2	-	-	143	-	-	(493)	2,818	2,468	(24)	2,444
<b>January 1, 2018 (restated)</b>		53,799	(4,077)	(11,763)	(7,757)	678	77	221,529	252,486	4,280	256,766
Net income		-	-	-	-	-	-	7,509	7,509	206	7,715
Other comprehensive income		-	-	628	(4,448)	(414)	-	-	(4,234)	66	(4,168)
<b>Total comprehensive income</b>		-	-	628	(4,448)	(414)	-	7,509	3,275	272	3,547
Dividends		-	-	-	-	-	-	(17,648)	(17,648)	(17)	(17,665)
Sale of treasury shares		-	526	-	-	-	-	(322)	204	-	204
Share options		-	-	-	-	-	17	-	17	-	17
Transfer of exercised and forfeited share options		-	-	-	-	-	(29)	29	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	8	8	(13)	(5)
Sale of non-controlling interests		-	-	-	-	-	-	-	-	4	4
Put options held by non-controlling interests		-	-	2	-	-	-	(2)	-	1	1
<b>June 30, 2018</b>		<u>53,799</u>	<u>(3,551)</u>	<u>(11,133)</u>	<u>(12,205)</u>	<u>264</u>	<u>65</u>	<u>211,103</u>	<u>238,342</u>	<u>4,527</u>	<u>242,869</u>

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, 2019**

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
<b>January 1, 2019</b>		53,799	(3,534)	(11,565)	(18,337)	388	113	213,857	234,721	4,560	239,281
Net income		-	-	-	-	-	-	11,133	11,133	88	11,221
Other comprehensive income		-	-	(902)	10,184	326	-	6	9,614	(41)	9,573
<b>Total comprehensive income</b>		-	-	(902)	10,184	326	-	11,139	20,747	47	20,794
Dividends	6	-	-	-	-	-	-	(12,850)	(12,850)	(21)	(12,871)
Sale of treasury shares		-	632	-	-	-	-	(388)	244	-	244
Share options		-	-	-	-	-	16	-	16	-	16
Transfer of exercised and forfeited share options		-	-	-	-	-	(15)	15	-	-	-
Put options held by non-controlling interests		-	-	(3)	-	-	-	109	106	(5)	101
<b>June 30, 2019</b>		<u>53,799</u>	<u>(2,902)</u>	<u>(12,470)</u>	<u>(8,153)</u>	<u>714</u>	<u>114</u>	<u>211,882</u>	<u>242,984</u>	<u>4,581</u>	<u>247,565</u>

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, 2019**

in CZK Millions

	Note	1-6/2019	1-6/2018
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		13,637	9,323
<b>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</b>			
Depreciation and amortization		14,204	14,096
Amortization of nuclear fuel		2,048	1,949
(Gains) and losses on non-current asset retirements		(49)	(77)
Foreign exchange rate loss (gain)		300	395
Interest expense, interest income and dividend income		2,331	2,213
Provisions		(2,856)	(1,558)
Impairment of property, plant and equipment and intangible assets		826	157
Valuation allowances and other adjustments		4,874	1,733
Share of (profit) loss from associates and joint-ventures		88	283
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		3,509	(7,002)
Materials, supplies and fossil fuel stocks		(1,132)	(506)
Receivables and payables from derivatives		2,735	477
Other assets		27	3,521
Trade payables		(7,899)	2,776
Other liabilities		232	(1,635)
<b>Cash generated from operations</b>		32,875	26,145
Income taxes paid		(1,890)	(2,066)
Interest paid, net of capitalized interest		(3,257)	(3,098)
Interest received		213	124
Dividends received		2	5
<b>Net cash provided by operating activities</b>		27,943	21,110
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(2,538)	(289)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		188	156
Additions to non-current assets, including capitalized interest		(13,064)	(10,013)
Proceeds from sale of non-current assets		2,335	1,675
Loans made		(101)	(8)
Repayment of loans		22	-
Change in restricted financial assets		(1,537)	(816)
<b>Total cash used in investing activities</b>		(14,695)	(9,295)

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, 2019**

continued

	Note	1-6/2019	1-6/2018
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		43,221	33,815
Payments of borrowings		(54,984)	(45,827)
Lease payments		(357)	-
Proceeds from other long-term liabilities		33	20
Payments of other long-term liabilities		(38)	(33)
Dividends paid to Company's shareholders		(39)	(44)
Dividends paid to non-controlling interests		(15)	(7)
Sale of treasury shares		244	204
Sale of non-controlling interests		-	5
<b>Total cash used in financing activities</b>		<u>(11,935)</u>	<u>(11,867)</u>
Net effect of currency translation and allowances in cash		<u>(41)</u>	<u>58</u>
<b>Net increase in cash and cash equivalents</b>		1,272	6
<b>Cash and cash equivalents at beginning of period *</b>		<u>9,245</u>	<u>12,623</u>
<b>Cash and cash equivalents at end of period *</b>		<u><u>10,517</u></u>	<u><u>12,629</u></u>
Supplementary cash flow information:			
Total cash paid for interest		3,406	3,259

\* Presented values of cash and cash equivalents contain also cash and cash equivalents included on the balance sheet on the line Assets classified as held for sale.

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

# **CEZ GROUP**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF JUNE 30, 2019**

#### **1. The Company**

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (70.1% of voting rights) at June 30, 2019 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, coal mining and providing energy services.

#### **2. Summary of Significant Accounting Policies**

##### **2.1. Financial Statements**

The interim consolidated financial statements for the six months ended June 30, 2019 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 statement as of December 31, 2018](#).

##### **2.2. Changes in Accounting Policies**

###### **2.2.1. Adoption of New IFRS Standards in 2019**

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 statement as of December 31, 2018](#), except for as follows.

As of January 1, 2019, the Group has adopted new International Financial Reporting Standard IFRS 16 Leases. The Group has adopted also other amendments and interpretations, which did not have material impact on Group's financial statements.

The Group used modified retrospective approach for application of IFRS 16. The comparable period was not be affected by adoption of this standard. As of January 1, 2019 was the impact on lease liabilities in amount of CZK 5,124 million. The lease liabilities are included in long-term debts (see Note 7).

In addition, the Group has increased assets and associated liabilities held for sale in connection with adoption of IFRS 16 as of January 1, 2019 by CZK 367 million.

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

The way of presentation of certain items in the statement of income was changed in consolidated financial statements as of December 31, 2018. The main goal of the changes was to enhance relevancy of information contained on the face of the financial statements in accordance with financial management of the Group and reflect the developments in the best practice of financial reporting in the industry with regard to all IFRS requirements. As a result, reclassifications for the prior period have been made to provide fully comparative information on the same basis. The following tables summarize the effect of reclassifications on prior period presented (in CZK millions):

	Reclassifications 1-6/2018
<b>CONSOLIDATED STATEMENT OF INCOME:</b>	
Sales of electricity, heat, gas and coal	56,470
Sales of services and other revenues	28,443
Sales of electricity and related services *	(67,445)
Sales of gas, coal, heat and other revenues *	(18,022)
Other operating income	507
<b>Total revenues and other operating income</b>	(47)
Gains and losses from commodity derivative trading	383
Purchase of electricity, gas and other energies	(23,677)
Fuel and emission rights	(7,745)
Fuel *	5,763
Purchase power and related services *	26,327
Services	(11,269)
Repairs and maintenance *	1,699
Capitalization of expenses to the cost of assets and change in own inventories	1,510
Impairment of trade and other receivables	(199)
Emission rights, net *	1,597
Other operating expenses	5,658
<b>Income before other income (expenses) and income taxes</b>	-
Impairment of financial assets	3
Other financial expenses	(398)
Other operating income	2
Foreign exchange rate gains (losses), net *	395
Gain on sale of subsidiaries and joint-ventures *	(2)
<b>Total other income (expenses)</b>	-
<b>Net income</b>	-

\* These items are not presented separately on the face of the financial statement.

## 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 six months of 2019

On January 1, 2019 the Group acquired a 100% interest in the company ITX MEDIA, a.s., which operates 22 heat pumps in two Teplice areas.

On January 7, 2019 the Group acquired a 100% interest (effective interest 95%) in German company H & R Elektromontagen GmbH.

On January 25, 2019 the Group acquired a 100% interest (effective interest 95%) in German company En.plus GmbH, which deals with designing and installation of air-conditioning and cooling equipments.

On May 15, 2019 the Group acquired a 100% interest (effective interest 95%) in German companies Hermos AG and Hermos Schaltanlagen GmbH (further also Hermos), that deliver solutions consisting of engineering, manufacturing of switchgears, software for automation systems and IT systems and from after-sale services.

On June 28, 2019 the Group acquired a 100% interest in the company HA.EM OSTRAVA, s.r.o., which supplies and installs technological equipment.

The fair values of acquired identifiable assets and liabilities and the purchase considerations have been stated provisionally and could be adjusted in the subsequent period. The following table presents the current best estimate of fair values of acquired identifiable assets and liabilities as of the date of acquisition (in CZK millions):

	Hermos	En.plus	Other	Total
Share of the Group being acquired	100%	100%	100%	
Property, plant and equipment, net	74	18	16	108
Intangible assets, net	11	92	-	103
Other non-current assets	102	-	-	102
Cash and cash equivalents	157	-	17	174
Trade receivables, net	184	195	49	428
Contractual assets	331	29	-	360
Other current assets	37	3	7	47
Long-term provisions	(29)	-	-	(29)
Deferred tax liability	-	(28)	-	(28)
Short-term loans	(17)	(103)	(2)	(122)
Trade payables	(55)	(47)	(17)	(119)
Current provisions	(65)	(14)	(8)	(87)
Other current liabilities	(29)	(15)	(14)	(58)
Total net assets	701	130	48	879
Share of net assets acquired	701	130	48	879
Goodwill	1,541	222	73	1,836
Total purchase consideration	2,242	352	121	2,715
Liabilities from acquisition of the subsidiary	-	(66)	-	(66)
Cash outflow on acquisition of the subsidiary in 2019	2,242	286	121	2,649
Less: Cash and cash equivalents in the subsidiary acquired	(157)	-	(17)	(174)
Cash outflow on acquisition of the subsidiary in 2019, net	2,085	286	104	2,475

If the combinations had taken place at the beginning of the year 2019, net income for CEZ Group as of June 30, 2019 would have been CZK 11,236 million and the revenues and other operating income

from continuing operations would have been CZK 100,853 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 (in CZK millions):

	Hermos	En.plus	Other	Total
Revenues and other operating income	-	390	76	466
Income before other income (expense) and income taxes	-	23	4	27
Net income	-	19	8	27
Net income attributable to:				
Equity holders of the parent	-	18	8	26
Non-controlling interests	-	1	-	1

The following table summarizes the cash flows related to acquisitions in the first six months of 2019 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	2,649
Cash outflow on investments in joint-ventures	2
Cash outflow on acquisitions of the subsidiaries where provisional accounting was not completed yet	30
Payments of payables from acquisitions in previous periods	31
Less: Cash and cash equivalents acquired	<u>(174)</u>
Total cash outflows on acquisitions	<u><u>2,538</u></u>

## 5. Assets and Associated Liabilities Classified as Held for Sale

As of June 30, 2019 the Group performed an impairment test for any potential impairment loss related to assets and liabilities held for sale in the Bulgarian companies CEZ Razpredelenie Bulgaria AD, CEZ ICT Bulgaria EAD, CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The result of this test, reflecting the contractual sales price of EUR 335 million, was an impairment of assets in the amount of CZK 639 million, which was presented in the statement of income on the line Impairment of property, plant and equipment and intangible assets.

The assets classified as held for sale and associated liabilities at June 30, 2019 and December 31, 2018 are as follows (in CZK millions):

	June 30, 2019	December 31, 2018
	Bulgarian companies	Bulgarian companies
Property, plant and equipment, net	10,704	10,411
Intangible assets, net	447	446
Other non-current assets	136	128
Cash and cash equivalents	2,251	1,967
Trade receivables, net	2,987	4,092
Other current assets	483	453
Assets classified as held for sale	17,008	17,497
Long-term debt, net of current portion	1,600	1,313
Non-current provisions	140	144
Other long-term financial liabilities	258	218
Deferred tax liability	298	291
Short-term loans	233	309
Current portion of long-term debt	144	224
Trade payables	2,145	2,999
Current provisions	397	479
Other current liabilities	226	220
Liabilities associated with assets classified as held for sale	5,441	6,197

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

## 6. Equity

On June 26, 2019 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 24.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 12,850 million.

## 7. Long-term Debt

Long-term debt at June 30, 2019 and December 31, 2018 is as follows (in CZK millions):

	June 30, 2019	December 31, 2018
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,506	2,468
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,672	1,647
5.000% Eurobonds, due 2021 (EUR 750 million)	19,723	19,457
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,274	1,287
4.875% Eurobonds, due 2025 (EUR 750 million)	19,227	19,909
4.500% Eurobonds, due 2020 (EUR 750 million)	19,059	19,693
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,406	2,370
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,258	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) <sup>1)</sup>	2,547	2,634
4.102% Eurobonds, due 2021 (EUR 50 million)	1,300	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,301	1,286
4.500% Eurobonds, due 2047 (EUR 50 million)	1,299	1,284
4.383% Eurobonds, due 2047 (EUR 80 million)	2,160	2,087
3.000% Eurobonds, due 2028 (EUR 725 million)	18,854	19,419
0.875% Eurobonds, due 2022 (EUR 500 million)	12,740	12,824
4.250% U.S. bonds, due 2022 (USD 289 million)	6,499	6,525
5.625% U.S. bonds, due 2042 (USD 300 million)	6,738	6,768
4.500% Registered bonds, due 2030 (EUR 40 million)	1,029	1,017
4.750% Registered bonds, due 2023 (EUR 40 million)	1,032	1,068
4.700% Registered bonds, due 2032 (EUR 40 million)	1,025	1,060
4.270% Registered bonds, due 2047 (EUR 61 million)	1,566	1,549
3.550% Registered bonds, due 2038 (EUR 30 million)	768	790
	<hr/>	<hr/>
Total bonds and debentures	125,983	127,717
Less: Current portion	(21,821)	(3,419)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	104,162	124,298
	<hr/>	<hr/>
Long-term bank loans and lease payables:	24,346	21,466
Less: Current portion	(3,840)	(3,324)
	<hr/>	<hr/>
Long-term bank loans and lease payables, net of current portion	20,506	18,142
	<hr/>	<hr/>
Total long-term debt	150,329	149,183
Less: Current portion	(25,661)	(6,743)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>124,668</u>	<u>142,440</u>

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

## 8. Short-term Loans

Short-term loans at June 30, 2019 and December 31, 2018 are as follows (in CZK millions):

	June 30, 2019	December 31, 2018
Short-term bank loans	1,054	11,516
Bank overdrafts	891	267
	<hr/>	<hr/>
Total	<u>1,945</u>	<u>11,783</u>

## 9. Revenues and Other Operating Income

The composition of revenues and other operating income for the first six months ended June 30, 2019 and 2018 is as follows (in CZK millions):

	1-6/2019	1-6/2018
Sales of electricity:		
Sales of electricity to end customers	24,036	22,436
Sales of electricity through energy exchange	600	1,528
Sales of electricity to traders	19,713	16,140
Sales to distribution and transmission companies	179	91
Other sales of electricity	13,392	9,181
Effect of hedging – presales of electricity	(5,248)	(2,532)
Effect of hedging – currency risk hedging	1,028	112
<b>Total sales of electricity</b>	<b>53,700</b>	<b>46,956</b>
Sales of gas, coal and heat:		
Sales of gas	4,375	3,658
Sales of coal	2,090	2,192
Sales of heat	4,410	3,664
<b>Total sales of gas, coal and heat</b>	<b>10,875</b>	<b>9,514</b>
<b>Total sales of electricity, heat, gas and coal</b>	<b>64,575</b>	<b>56,470</b>
Sales of services and other revenues:		
Distribution services	22,247	19,543
Other services	10,093	8,069
Revenues from goods sold	578	430
Other revenues	505	401
<b>Total sales of services and other revenues</b>	<b>33,423</b>	<b>28,443</b>
Other operating income:		
Granted green and similar certificates	612	501
Contractual fines and interest fees for delays	289	144
Gain on sale of property, plant and equipment	41	47
Gain on sale of material	61	72
Other	1,027	575
<b>Total other operating income</b>	<b>2,030</b>	<b>1,339</b>
<b>Total revenues and other operating income</b>	<b>100,028</b>	<b>86,252</b>



## 10. Income Taxes

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

	1-6/2019			1-6/2018		
	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	8,308	(1,579)	6,729	(7,211)	1,370	(5,841)
Cash flow hedges reclassified to statement of income	4,265	(810)	3,455	1,720	(327)	1,393
Change in fair value of debt instruments	400	(75)	325	(513)	99	(414)
Disposal of debt instruments	1	-	1	-	-	-
Translation differences – subsidiaries	(963)	-	(963)	581	-	581
Translation differences – associates and joint-ventures	20	-	20	101	-	101
Disposal of translation differences	-	-	-	12	-	12
Share on other equity movements of associates and joint-ventures	4	-	4	-	-	-
Re-measurement gains (losses) on defined benefit plans	2	-	2	-	-	-
<b>Total</b>	<b>12,037</b>	<b>(2,464)</b>	<b>9,573</b>	<b>(5,310)</b>	<b>1,142</b>	<b>(4,168)</b>

## 11. Segment Information

The Group reports its result using six reportable operating segments:

- Generation – Traditional Energy
- Generation – New Energy
- Distribution
- Sales
- Mining
- Support Services

A change in the classification of CEZ Group companies into operating segments was made with effect from January 1, 2019. In particular, most companies from the “Other” segment were transferred to different segments and the segment was renamed to “Support Services”. The original segmentation primarily reflected core business activities of the respective company; now more account is taken of mutual business relations making up the overall segment chain. For example, SD - Kolejová doprava (a service subsidiary of Severočeské doly) was transferred from the “Other” segment to the “Mining” segment.

The change also reflects CEZ Group’s internal management and breakdown into the Operations team and the Development team. Starting from January 1, 2019, the classification of companies into segments matches exactly their classification into the Operations team (Mining, Generation – Traditional Energy, and Supporting Activities segments) and Development team (Distribution, Sales and Generation – New Energy segments).

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>1-6/2019</u>	<u>1-6/2018</u>
Income before other income (expenses) and income taxes (EBIT)	17,102	12,677
Depreciation and amortization	14,204	14,096
Impairment of property, plant and equipment and intangible assets	826	157
Gains and losses on sale of property, plant and equipment, net *	<u>(40)</u>	<u>(37)</u>
EBITDA	<u><u>32,092</u></u>	<u><u>26,893</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 six months ended June 30, 2019 and 2018 and at December 31, 2018 (in CZK millions):

June 30, 2019:	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	29,997	3,399	21,320	42,924	2,239	149	100,028	-	100,028
Revenues and other operating income – intersegment	19,188	195	313	3,814	3,052	2,109	28,671	(28,671)	-
Total revenues and other operating income	49,185	3,594	21,633	46,738	5,291	2,258	128,699	(28,671)	100,028
EBITDA	14,106	2,273	10,398	1,933	2,525	854	32,089	3	32,092
Depreciation and amortization	(7,593)	(909)	(3,259)	(448)	(1,393)	(602)	(14,204)	-	(14,204)
Impairment of property, plant and equipment and intangible assets	(15)	(12)	(810)	-	11	-	(826)	-	(826)
EBIT	6,510	1,353	6,339	1,487	1,148	262	17,099	3	17,102
Interest on debt and provisions	(3,350)	(118)	(387)	(152)	(108)	(71)	(4,186)	555	(3,631)
Interest income	390	90	85	76	55	69	765	(555)	210
Share of profit (loss) from associates and joint-ventures	(16)	(1)	(130)	51	8	-	(88)	-	(88)
Income taxes	(672)	13	(1,199)	(295)	(223)	(40)	(2,416)	-	(2,416)
Net income	14,169	1,589	4,718	1,146	942	759	23,323	(12,102)	11,221
Identifiable assets	243,876	27,668	112,343	5,641	21,674	5,640	416,842	-	416,842
Investment in associates and joint- ventures	2,600	233	-	289	179	-	3,301	-	3,301
Unallocated assets									258,661
Total assets									<u>678,804</u>
Capital expenditure	3,763	486	5,651	622	770	370	11,662	(54)	11,608

June 30, 2018:	Gene- ration – Traditional Energy	Gene- ration – New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	23,891	2,922	20,013	36,925	2,366	135	86,252	-	86,252
Revenues and other operating income – intersegment	15,906	279	4,047	6,463	2,637	2,127	31,459	(31,459)	-
Total revenues and other operating income	39,797	3,201	24,060	43,388	5,003	2,262	117,711	(31,459)	86,252
EBITDA	9,560	1,980	10,061	2,134	2,381	773	26,889	4	26,893
Depreciation and amortization	(8,233)	(877)	(3,081)	(164)	(1,309)	(432)	(14,096)	-	(14,096)
Impairment of property, plant and equipment and intangible assets	(90)	-	(52)	-	10	(25)	(157)	-	(157)
EBIT	1,247	1,103	6,936	1,974	1,089	324	12,673	4	12,677
Interest on debt and provisions	(3,178)	(89)	(171)	(60)	(99)	(62)	(3,659)	267	(3,392)
Interest income	250	64	32	7	8	31	392	(267)	125
Share of profit (loss) from associates and joint-ventures	(14)	-	(336)	64	3	-	(283)	-	(283)
Income taxes	326	(60)	(1,247)	(349)	(209)	(69)	(1,608)	-	(1,608)
Net income	29,519	1,049	5,207	1,649	843	833	39,100	(31,385)	7,715
Capital expenditure	2,463	118	5,254	133	618	470	9,056	(94)	8,962
December 31, 2018:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Support Services	Combined	Elimination	Consoli- dated
Identifiable assets	247,784	27,400	109,806	4,046	22,055	4,823	415,914	(6)	415,908
Investment in associates joint-ventures	2,645	235	-	305	176	-	3,361	-	3,361
Unallocated assets									288,174
Total assets									<u>707,443</u>