

CEZ GROUP

CONSOLIDATED REPORT ON PAYMENTS
TO STATE ADMINISTRATION AUTHORITIES OF
THE EUROPEAN UNION MEMBER STATE OR THIRD COUNTRY

FOR 2016

1. The Company and Reason for the Preparation of the Consolidated Report on Payments

ČEZ, a. s. (further also referred to as the "Company"), business ID No. (IČO) 45274649, is a joint-stock company in which, as of December 31, 2016, the Czech Republic, represented by the Ministry of Finance of the Czech Republic, owned 69.8% of the registered capital (70.3% of voting rights). The remaining shares are owned by legal entities and natural persons. The Company's registered office is located at Duhová 2/1444, 140 53 Prague 4.

The Company is a parent company of CEZ Group (further also referred to as the "Group"). The main scope of the Group's business is production, distribution, trade and sale in the field of electricity and heat, and trade and sale in the field of natural gas and coal mining.

The Group also includes Severočeské doly a.s., which is active in the mining industry. ČEZ, a. s. is a 100% owner of the company Severočeské doly a.s. Data regarding the company Severočeské doly a.s. are in the consolidated financial statements of CEZ Group as of December 31, 2016, prepared in accordance with International Financial Reporting Standards (further also referred to as "IFRS") included via the full consolidation method. Pursuant to Section 32c of the Act on Accounting, ČEZ, a. s. is obliged to prepare and publish this consolidated report on payments to the state administration authorities of the European Union Member State or a third country (further referred to as the "Consolidated Report on Payments"). The data referred to in point 2 regarding the company Severočeské doly a.s. also constitute consolidated data for CEZ Group.

The consolidated financial statements of CEZ Group as of December 31, 2016, prepared according to IFRS using the equity consolidation method, include also the joint venture LOMY MOŘINA spol. s r.o., which is active in the mining industry. Although the company LOMY MOŘINA spol. s r.o. is not a consolidated accounting unit within the meaning of the definition used in the Act on Accounting, the data on payments to this company resulting from the activities in the mining industry are for the sake of completeness provided in paragraph 3.

For the purposes of being sufficiently explanatory, payments are included in this consolidated report on payments that fall below the statutory threshold of CZK 2,600,000 (see Section 32b (2) of the Act on Accounting), but exceed the relevance threshold of CZK 100 thousand set by the Company for an individual type of payment and accounting period.

2. Severočeské doly a.s.

The company Severočeské doly a.s. (further referred to as "Severočeské doly"), business ID No. (IČO) 49901982, is a joint stock company, the sole shareholder of which is ČEZ, a. s. and the registered office of which is located at Boženy Němcové 5359, 430 01 Chomutov.

The registered scope of business of the company Severočeské doly is to carry out mining activities within the scope of Section 2 letters a), b), c), d), e), i) of Act No. 61/1988 Coll., and activities carried out in a mining manner within the scope of Section 3 letter a), e) of Act No. 61/1988 Coll. These activities include searching for and exploration of reserved minerals, opening, preparation and extraction of exclusive deposits, establishment, provision and disposal of mining works and quarries, treatment and refining of minerals carried out in relation to their extraction, establishment and operation of slopes, dumps, and ponds in these activities, and mine surveying.

2.1. Mined Deposits

By the final decision of the mining administration the company Severočeské doly has been provided four mining sites:

Mining site No.	Mining site name	Mined mineral	Date of the mining site designation	District
49	Bílina	Brown coal	November 10, 1976	Teplice
57	Duchcov	Brown coal	May 25, 1992	Teplice
40	Hrdlovka	Brown coal	June 1, 1964	Teplice
62	Tušimice	Brown coal	October 25, 1977	Chomutov

The company Severočeské doly carries out these activities exclusively in the designated mining site with the approval and under the supervision of the Czech Mining Authority. The mining sites 49, 57 and 40 are designated for extracting brown coal in the Bílina Quarry ("Lom Bílina") and the mining site 62 is designated for extracting brown coal in Libouš Quarry ("Lom Libouš").

The Bílina Quarry (organizationally denominated as Bílina mines ("**Doly Bílina**")) and the Libouš Quarry ("Lom Libouš") (organizationally known as **Doly Nástup Tušimice**) are recognized by the company Severočeské doly as projects within the meaning of Section 32a (5) of the Act on Accounting. The Bílina Quarry conducts mining activities on the basis of the Opening and Extraction Preparation Plan approved within the mining permit issued by the District Mining Authority for the Ústí Region, No. 3426/10/II. The Libouš Quarry conducts mining activities on the basis of the Opening and Extraction Preparation Plan approved within the mining activities permit issued by the District Mining Authority for the Ústí Region No. SBS/37968/2012/OBÚ-04/5 and SBS/23953/2015/OBÚ-04/3.

Payments that are not directly attributable to these projects are reported collectively in one amount.

2.2. Identified Payment Recipients

The recipients of payments identified within the meaning of Section 32a (4) of the Act on Accounting are tax administration authorities, state mining authorities and self-governing bodies.

2.3. Identified Payments

The subject of this report is the payments to identified recipients as defined in Section 32a (6) of the Act on Accounting. The report does not include payments to identified recipients that may have occurred as part of the ordinary course of business.

- **Remuneration from extracted minerals.** The company Severočeské doly is obliged to make remunerations from the extracted minerals in accordance with the relevant provisions of the Mining Act. The company Severočeské doly is obliged to pay to the account of the relevant district mining authority an annual remuneration of the extracted minerals on exclusive deposits or reserved minerals after their treatment and refining carried out in relation to their extraction (extracted minerals). The remuneration is determined from those minerals, for the mining of which the mining site has been determined. The payment is up to 10% of the market price of the mined minerals. The average market price in the year in which the minerals were mined is decisive. The details of calculation are laid down in Decree No. 617/1992 Coll., on details of paying remuneration for mining site and extraction of reserve minerals. Remuneration from extracted minerals shall be made as an advance payment for every calendar quarter. The advance payment is due always by the end of the

following quarter. The last payment for the past calendar year includes the total billing of remuneration and is payable by March 31 of the following year.

- **Remuneration from the mining site.** The company Severočeské doly is obliged to pay remuneration from the mining site in accordance with the relevant provisions of the Mining Act. The company Severočeské doly is obliged to pay an annual payment from the mining site for each commenced hectare of the mining site area in the delimitation on the surface to the account of the respective district mining authority. The amount of remuneration from the mining site in the range of CZK 100 to CZK 1,000 per hectare, graded with respect to the degree of environmental protection of the affected area, the nature of activity carried out in the mining site and its impact on the environment is determined by a government regulation. The details of the calculation are laid down in Decree No. 617/1992 Coll., on details of paying remuneration for mining sites and extraction of reserve minerals. The annual payment from the mining site area shall be made by March 31 of the year in question, at the latest.
- **Withdrawal of agricultural land.** Permanent and temporary withdrawal of agricultural land from the agricultural land fund in relation to the mining activities.
- **Solid fuels tax.** The company Severočeské doly as a supplier of solid fuels to the final consumer is a solid fuels taxpayer in accordance with the relevant provisions of the Act on the Stabilization of Public Budgets. The tax liability arises at the moment of the supply of these fuels, whereas the basis for calculation of the tax is the amount of combustion heat determined according to the original sample. The taxation period is a calendar month. The taxpayer is obliged to submit a tax return and to pay the tax within the twenty-fifth day following the end of the taxable period in which this obligation arises.
- **Corporate income tax.** The company Severočeské doly is a corporate income tax payer. Tax advances are paid in the course of the year in accordance with the relevant provisions of the Income Tax Act. For the past tax period, the company Severočeské doly files a corporate income tax return at the latest by June 30 of the following year. Remuneration is paid on the same date if the total tax liability exceeds the sum of advances paid in the taxable period. Income tax cannot be assigned to individual projects.

The identified payments made to the company Severočeské doly in 2016 are listed in the following overview:

Type of payment	Payment recipient	Bílina Quarry ("Doly Bílina") CZK thousands	Nástup Tušimice Quarry ("Doly Nástup Tušimice") CZK thousands	In total CZK thousands	Category pursuant to Section 32a (6)
Remuneration from extracted minerals	Czech Mining Authority	79,630	40,411	120,041	letter b)
Remuneration from the mining site	Czech Mining Authority	443	423	866	letter e)
Withdrawal of agricultural land	Customs Authority for Ústí region	19,586	28,422	48,008	letter e)
Solid fuels tax	Customs Authority for Ústí region	11,623	-	11,623	letter b)
Corporate income tax	Specialized financial authority	x	x	314,817	letter b)
In total	x	111,282	69,256	495,355	

Note: In 2016, the company Severočeské doly further paid its parent company (ČEZ, a. s.), in which the state exercises decisive influence, a share in profit (dividend) in the amount of CZK 1,707,159 thousand. Due to the way in which a subsidiary is included in the consolidation, among others, elimination of all mutual relationships, this payment is not shown in the consolidated data in the above table.

3. LOMY MOŘINA spol. s r.o.

The company LOMY MOŘINA spol. s r.o. (further referred to as "LOMY MOŘINA"), business ID No. (IČO) 61465569, is a limited liability company with its registered office at 267 17 Mořina, No. 73, with two shareholders – ČEZ, a. s. and Českomoravský cement, a.s. In the consolidated financial statements of CEZ Group as of December 31, 2016, processed under IFRS, the data for the joint venture LOMY MOŘINA are included via an equity method.

The registered scope of business of the company LOMY MOŘINA is, among others, mining activity and activity carried out in a mining way. In particular, it concerns the mining and processing of high-percentage limestone used in desulphurization plants of thermal power plants. Raw material is further used in chemical, food, and construction industries.

3.1. Mined Deposits

- **Operation in Mořina**

For the operation in Mořina, limestone is mined in the Čeřinka Quarry, which is located in the cadastral area of the municipalities of Bubovice and Kozolupy. The quarry is open in seven mining sections and the raw material mined here contains both chemical limestone (approximately 60%) and limestone only suitable as a building stone.

- **Operation in Holý Vrch**

In the Holý Vrch location, limestone is mined in the quarry of the same name, which is situated in the cadastral area of the municipality of Mořina near the local part of Trněný Újezd. The quarry is open in six mining floors and the raw material mined here is only used as building stone. It predominantly concerns limestone of Kotýs with hornstone chert containing a higher proportion of SiO₂.

- **Operation in Tetín**

The operation in Tetín mines limestone in the quarry of the same name, which is located in the cadastral area of Tetín. The quarry is open on five mining floors and the raw material mined here contains chemical limestone and limestone only suitable for use as a building stone.

The company LOMY MOŘINA identified the operations in Mořina, Holý Vrch and Tetín as projects within the meaning of Section 32a (5) of the Act on Accounting. Payments that are not directly attributable to these projects are reported collectively in one amount.

3.2. Identified Payment Recipients

The payment recipients identified in accordance with Section 32a (4) of the Act on Accounting are tax administration authorities, mining authorities and local self-governing authorities, and the entities in which the administration authority exercises decisive influence.

3.3. Identified Payments

- **Remuneration from extracted minerals.** It is determined from those minerals, for the extraction of which mining site has been located. The payment is up to 10% of the market price of the extracted minerals. The average market price in the year in which the minerals were extracted is decisive.
- **Withdrawal of agricultural land.** Permanent withdrawal of agricultural land from the agricultural land fund for the mining of limestone and building stone.
- **Easement.** On the basis of an Agreement, servitude is established according to Section 1257 et seq. of the Civil Code. The servitude is established with respect to the listed parcels owned by the municipality of Mořina for a definite period until December 31, 2018.
- **Rent.** Lease of land pursuant to contract No. 13/96/8.
- **Corporate income tax.** The company LOMY MOŘINA is a corporate income tax payer. Income tax payment cannot be assigned to individual projects.
- **Share in profit.** Dividend paid to the company ČEZ, a. s., in which the state exercises decisive influence. The payment of the share in profit cannot be assigned to individual projects.

The identified payments made to the company LOMY MOŘINA in 2016 are listed in the following overview:

Type of payment	Payment recipient	Operation Mořina CZK thousands	Operation Holy Vrch CZK thousands	Operation Tetín CZK thousands	In total CZK thousands	Category pursuant to Section 32a (6)
Remuneration from extracted minerals	Czech Mining Authority	2,826	186	1,051	4,063	letter b)
Withdrawal of agricultural land	Customs Authority for Central Bohemian region	47	17	140	204	letter e)
Easement	Mořina district	385	-	-	385	letter d)
Rent	Lesy ČR, s. p.	320	-	-	320	letter e)
Corporate income tax	Tax Authority for Central Bohemian region	x	x	x	4,699	letter b)
Share in profit	ČEZ, a. s.	x	x	x	13,984	letter c)
In total	x	3,578	203	1,191	23,655	

Declaration of the statutory body of ČEZ, a. s.:

To the best of our knowledge and ability this consolidated report on payments has been prepared and published in accordance with the requirements of the Act on Accounting.

In Prague, on June 5, 2017

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

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