CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF SEPTEMBER 30, 2016

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2016

in CZK Millions

	Note	September 30, 2016	December 31, 2015
Assets			
Property, plant and equipment:			
Plant in service		733,236	719,633
Less accumulated depreciation and impairment		(419,110)	(399,608)
Net plant in service		314,126	320,025
Nuclear fuel, at amortized cost		13,513	12,997
Construction work in progress		91,475	88,342
Total property, plant and equipment		419,114	421,364
Other non-current assets:			
Investment in joint-ventures		7,989	9,239
Restricted financial assets		19,236	18,059
Investments and other financial assets, net		16,542	22,598
Intangible assets, net		20,597	20,164
Deferred tax assets		1,136	1,631
Total other non-current assets		65,500	71,691
Total non-current assets		484,614	493,055
Current assets:			
Cash and cash equivalents		15,118	13,482
Receivables, net		50,530	46,003
Income tax receivable		4,296	436
Materials and supplies, net		9,044	8,577
Fossil fuel stocks		940	1,554
Emission rights		1,729	3,456
Other financial assets, net		38,780	32,728
Other current assets		3,018	3,395
Total current assets		123,455	109,631
Total assets		608,069	602,686

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2016

continued

	Note	September 30, 2016	December 31, 2015
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		210,471	218,340
Total equity attributable to equity holders of the parent		260,024	267,893
Non-controlling interests		4,527	4,262
Total equity		264,551	272,155
Long-term liabilities:			
Long-term debt, net of current portion	6	140,699	145,575
Provisions		62,127	60,525
Deferred tax liabilities		24,087	22,053
Other long-term liabilities		9,039	8,679
Total long-term liabilities		235,952	236,832
Current liabilities:			
Short-term loans	7	14,047	223
Current portion of long-term debt	6	15,431	11,696
Trade and other payables		59,103	58,010
Income tax payable		100	1,606
Provisions		6,444	8,219
Accrued liabilities		12,441	13,945
Total current liabilities		107,566	93,699
Total equity and liabilities		608,069	602,686

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

in CZK Millions

	Note	1-9/2016	1-9/2015 *	7-9/2016	7-9/2015 *
Sales of electricity and related services		125,998	133,800	41,344	43,342
Sales of gas, coal, heat and other revenues		17,858	16,109	4,343	3,987
Other operating income		1,252	2,578	518	634
Total revenues and other operating income		145,108	152,487	46,205	47,963
Gains and losses from commodity derivative trading, net		299	(863)	(384)	50
Fuel		(9,389)	(9,421)	(3,018)	(3,057)
Purchased power and related services		(64,077)	(66,630)	(21,450)	(22,233)
Repairs and maintenance		(2,810)	(2,905)	(1,193)	(1,328)
Depreciation and amortization		(21,260)	(21,422)	(7,099)	(7,124)
Impairment of property, plant and equipment and intangible assets including goodwill	8	(958)	(2,400)	15	(2,379)
Salaries and wages		(13,537)	(13,007)	(4,591)	(4,364)
Materials and supplies		(3,053)	(2,886)	(986)	(970)
Emission rights, net		(321)	(173)	(867)	(416)
Other operating expenses		(8,404)	(8,157)	(3,032)	(2,819)
Income before other income (expenses) and income taxes		21,598	24,623	3,600	3,323
Interest on debt, net of capitalized interest		(1,866)	(2,229)	(749)	(621)
Interest on provisions		(1,122)	(1,263)	(376)	(420)
Interest income		249	315	78	89
Foreign exchange rate gains (losses), net		(607)	(398)	74	164
Other financial expenses		(257)	(132)	60	206
Other financial income		1,231	2,147	(531)	192
Share of profit (loss) from joint-ventures		(965)	(2,174)	(992)	(1,218)
Total other income (expenses)		(3,337)	(3,734)	(2,436)	(1,608)
Income before income taxes		18,261	20,889	1,164	1,715
Income taxes		(3,554)	(4,274)	(254)	(514)
Net income		14,707	16,615	910	1,201
Net income attributable to:					
Equity holders of the parent		14,442	16,662	813	1,287
Non-controlling interests		265	(47)	97	(86)
Net income per share attributable to equity holders of the parent (CZK per share)					
Basic		27.0	31.2	1.5	2.4
Diluted		27.0	31.2	1.5	2.4

* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of September 30, 2015.

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, 2016

in CZK Millions

	Note	1-9/2016	1-9/2015 *	7-9/2016	7-9/2015 *
Net income		14,707	16,615	910	1,201
Other comprehensive income - items that may be reclassified subsequently to statement of income or to assets:					
Change in fair value of cash flow hedges recognized in equity		(3,087)	9,748	(1,799)	3,834
Cash flow hedges reclassified to statement of income		(414)	(1,551)	(150)	60
Change in fair value of available-for-sale financial assets recognized in equity		2,211	41	764	(1,108)
Available-for-sale financial assets reclassified from equity		(3)	(100)	(2)	(84)
Translation differences - subsidiaries		25	(474)	291	6
Translation differences - joint-ventures		(298)	(1,551)	(282)	(812)
Translation differences reclassified from equity		(102)	(1)	-	-
Share on other equity movements of joint-ventures		33	(60)	8	(43)
Deferred tax related to other comprehensive income	9	627	(1,452)	340	(792)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(1,008)	4,600	(830)	1,061
Total comprehensive income, net of tax		13,699	21,215	80	2,262
Total comprehensive income attributable to:					
Equity holders of the parent		13,435	21,339	(3)	2,356
Non-controlling interests		264	(124)	83	(94)

* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of September 30, 2015.

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, 2016

in CZK Millions

	Note	Attributable to equity holders of the parent								
		Stated capital	Treasury shares	Transla-tion difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2014		53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851
Net income		-	-	-	-	-	16,662	16,662	(47)	16,615
Other comprehensive income		-	-	(1,948)	6,639	46	(60)	4,677	(77)	4,600
Total comprehensive income		-	-	(1,948)	6,639	46	16,602	21,339	(124)	21,215
Dividends		-	-	-	-	-	(21,317)	(21,317)	(4)	(21,321)
Sale of treasury shares		-	136	-	-	-	(68)	68	-	68
Share options		-	-	-	-	23	-	23	-	23
Transfer of exercised and forfeited share options within equity		-	-	-	-	(52)	52	-	-	-
Acquisition of non-controlling interests		-	-	19	-	-	(166)	(147)	(145)	(292)
Put options held by non-controlling interest		-	-	-	-	-	143	143	149	292
September 30, 2015		53,799	(4,246)	(9,279)	(1,333)	1,866	220,610	261,417	4,419	265,836

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, 2016

continued

	Note	Attributable to equity holders of the parent								
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	4,262	272,155
Net income		-	-	-	-	-	14,442	14,442	265	14,707
Other comprehensive income		-	-	(374)	(2,835)	2,170	32	(1,007)	(1)	(1,008)
Total comprehensive income		-	-	(374)	(2,835)	2,170	14,474	13,435	264	13,699
Dividends	5	-	-	-	-	-	(21,320)	(21,320)	(8)	(21,328)
Share options		-	-	-	-	16	-	16	-	16
Transfer of forfeited share options within equity		-	-	-	-	(24)	24	-	-	-
Acquisition of subsidiaries	4	-	-	-	-	-	-	-	9	9
September 30, 2016		53,799	(4,246)	(9,874)	(2,921)	5,404	217,862	260,024	4,527	264,551

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, 2016

in CZK Millions

	Note	1-9/2016	1-9/2015 *
Operating activities:			
Income before income taxes		18,261	20,889
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		21,260	21,422
Amortization of nuclear fuel		2,489	2,589
Gain on non-current asset retirements, net		(96)	(454)
Foreign exchange rate losses (gains), net		607	398
Interest expense, interest income and dividend income, net		989	1,229
Provisions		(494)	(4,306)
Impairment of property, plant and equipment and intangible assets including goodwill	8	958	2,400
Valuation allowances and other adjustments		(333)	55
Share of (profit) loss from joint-ventures		965	2,174
Changes in assets and liabilities:			
Receivables		(3,896)	4,971
Materials, supplies and fossil fuel stocks		(197)	(214)
Receivables and payables from derivatives		2,200	1,187
Other current assets		4,239	4,651
Trade and other payables		1,423	1,045
Accrued liabilities		(1,294)	(3,716)
Cash generated from operations		47,081	54,320
Income taxes paid		(5,733)	(3,503)
Interest paid, net of capitalized interest		(1,727)	(2,041)
Interest received		243	326
Dividends received		606	665
Net cash provided by operating activities		40,470	49,767
Investing activities:			
Acquisition of subsidiaries and joint-ventures, net of cash acquired	4	(370)	-
Disposal of subsidiaries and joint-ventures, net of cash disposed of		177	310
Additions to non-current assets, including capitalized interest		(28,054)	(21,506)
Proceeds from sale of non-current assets		227	197
Loans made		(3)	(30)
Repayment of loans		228	60
Change in restricted financial assets		(935)	(576)
Total cash used in investing activities		(28,730)	(21,545)

* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of September 30, 2015.

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, 2016

continued

	Note	1-9/2016	1-9/2015 *
Financing activities:			
Proceeds from borrowings		63,667	73,878
Payments of borrowings		(51,901)	(87,582)
Proceeds from other long-term liabilities		59	50
Payments of other long-term liabilities		(687)	(86)
Dividends paid to Company's shareholders		(21,249)	(21,253)
Dividends paid to non-controlling interests		(8)	(4)
Sale of treasury shares		-	68
Acquisition of non-controlling interests		(5)	-
Total cash provided by (used in) financing activities		(10,124)	(34,929)
Net effect of currency translation in cash		20	(361)
Net increase (decrease) in cash and cash equivalents		1,636	(7,068)
Cash and cash equivalents at beginning of period		13,482	20,095
Cash and cash equivalents at end of period		15,118	13,027

Supplementary cash flow information

Total cash paid for interest		4,325	4,816

* The way of presentation was changed (see Note 2.2.b). The prior year figures were changed accordingly to provide comparative information on the same basis and they do not fully correspond to the interim consolidated financial statements as of September 30, 2015.

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, 2016 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, 2016 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, 2015.

2.2. Changes in Accounting Policies

a. Adoption of New IFRS Standards in 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, 2015, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2016:

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in joint operation
- Annual Improvements to IFRSs 2010 - 2012
- Annual Improvements to IFRSs 2012 - 2014

The impact of the adoption of standards or interpretations (or their annual improvements respectively) on the financial statements or performance of the Group is described below:

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the balance sheet may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint-ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments did not have a significant impact to the Group, but will assist in applying judgment when meeting the presentation and disclosure requirements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 are intended to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments did not have a significant impact on Group's financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint-ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments do not have any impact on the Group's financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in joint operation
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective. These amendments will affect eventual future relevant transactions.

Annual Improvements to IFRSs 2010 - 2012
In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

The annual improvements had no significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2012 - 2014
In September 2014 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

The annual improvements had no significant impact on the Group's financial statements.

b. Changes in the Presentation of the Financial Statements

The way of presentation of the financial statements was changed in the consolidated financial statements as of December 31, 2015. The main goal of the changes was to enhance relevancy of information contained on the face of the financial statements 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 table summarizes the effect of reclassifications on prior period presented (in CZK millions):

	Reclassifications 1-9/2015
Consolidated statement of income:	
Gains and losses from electricity, coal and gas derivative trading, net [1]	863
Sales of gas, coal, heat and other revenues	(1,562)
Other operating income	2,578
Total revenues and other operating income	1,879
Gains and losses from commodity derivative trading, net [1]	(863)
Other operating expenses	(1,016)
Income before other income (expenses) and income taxes	-
Other income (expenses), net	(2,015)
Other financial expenses	(132)
Other financial income	2,147
Total other income (expenses)	-
Net income	-
EBITDA	-
Consolidated statement of comprehensive income:	
Translation differences	2,025
Translation differences - subsidiaries	(474)
Translation differences - joint-ventures	(1,551)
Other comprehensive income, net of tax	-
Total comprehensive income, net of tax	-
Consolidated statement of cash flows:	
Net cash provided by operating activities	(35)
Total cash used in financing activities	35
Net increase in cash and cash equivalents	-

[1] The headline of the line Gains and losses from commodity derivative trading, net was changed (formerly Gains and losses from electricity, coal and gas derivative trading, net). This line is not presented as part of Total revenues and other operating income.

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 nine months of 2016

On January 6, 2016 the Group acquired a 26% interest in ENESA a.s. Total interest of CEZ Group in ENESA is 75 % since this date. ENESA specializes in complex solutions for energy savings in public buildings and industrial plants.

On February 10, 2016 the Group acquired a 100% interest in ČEZ Solární, s.r.o. which constructs photovoltaic power plants.

On June 22, 2016 the Group acquired a 100% interest in Energie2 Prodej, s.r.o. which is a supplier of electricity and gas to all types of companies, organizations, households and public sector in the Czech Republic.

On September 30, 2016 the Group acquired a 100% interest in AZ KLIMA a.s, which specializes in complex solutions for technical equipment of buildings and making the delivery of ventilation and cooling equipment for buildings.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	ENESA	ČEZ Solární	Energie2 Prodej	AZ KLIMA
Share of the Group	75%	100%	100%	100%
Property, plant and equipment	14	4	-	57
Investments and other financial assets, net	-	-	-	21
Intangible assets, net	-	-	86	1
Deferred tax assets	-	2	-	4
Materials and supplies, net	29	17	-	49
Receivables, net	27	7	123	237
Income tax receivable	-	-	-	5
Cash and cash equivalents	5	10	13	16
Other current assets	-	-	-	34
Long-term debt, net of current portion	-	(1)	-	(50)
Current portion of long-term debt	-	(1)	-	-
Other long-term liabilities	-	-	(87)	(9)
Short-term loans	-	-	-	(30)
Trade and other payables	(39)	(2)	(91)	(162)
Provisions	-	-	-	(51)
Accrued liabilities	-	(3)	(1)	(13)
Total net assets	36	33	43	109
Share of net assets acquired	27	33	43	109
Goodwill	1	3	-	240
Negative goodwill	-	-	(24)	-
Total purchase consideration	28	36	19	349
Less:				
Cash and cash equivalents in the subsidiary acquired	(5)	(10)	(13)	(16)
Interest acquired in previous periods	(18)	-	-	-
Cash outflow on acquisition of the subsidiary	5	26	6	333

If the combinations had taken place at the beginning of the year 2016, net income for CEZ Group as of September 30, 2016 would have been CZK 14,782 million and the revenues and other operating income from continuing operations would have been CZK 145,813 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

5. Equity

On June 3, 2016 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share of CZK 40.0. The total amount of dividend approved amounts to CZK 21,369 million.

6. Long-term Debt

Long-term debt at September 30, 2016 and December 31, 2015 is as follows (in CZK millions):

	September 30,2016	December 31, 2015
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,858	2,466
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,907	1,645
5.000% Eurobonds, due 2021 (EUR 750 million)	20,208	20,203
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,347	1,347
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,205	1,198
3M Euribor + 0,55% Eurobonds, due 2018 (EUR 200 million)	5,388	-
4.875% Eurobonds, due 2025 (EUR 750 million)	20,190	20,188
4.500% Eurobonds, due 2020 (EUR 750 million)	20,158	20,140
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,748	2,372
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million)	-	9,176
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [1)]	2,702	2,702
4.102% Eurobonds, due 2021 (EUR 50 million)	1,348	1,347
4.250% U.S. bonds, due 2022 (USD 289 million)	6,942	7,111
5.625% U.S. bonds, due 2042 (USD 300 million)	7,188	7,368
4.375% Eurobonds, due 2042 (EUR 50 million)	1,325	1,325
4.500% Eurobonds, due 2047 (EUR 50 million)	1,325	1,325
4.383% Eurobonds, due 2047 (EUR 80 million)	2,162	2,162
3.000% Eurobonds, due 2028 (EUR 500 million)	13,334	13,325
4.500% registered bonds, due 2030 (EUR 40 million)	1,060	1,060
4.750% registered bonds, due 2023 (EUR 40 million)	1,071	1,070
4.700% registered bonds, due 2032 (EUR 40 million)	1,075	1,075
4.270% registered bonds, due 2047 (EUR 61 million)	1,622	1,621
3.550% registered bonds, due 2038 (EUR 30 million)	807	807
Exchangeable bonds, due 2017 (EUR 470.2 million) [2)]	12,540	12,420
Total bonds and debentures	131,758	134,701
Less: Current portion	(12,540)	(9,176)
Bonds and debentures, net of current portion	119,218	125,525
Long-term bank and other loans:		
Total long-term bank and other loans	24,372	22,570
Less: Current portion	(2,891)	(2,520)
Long-term bank and other loans, net of current portion	21,481	20,050
Total long-term debt	156,130	157,271
Less: Current portion	(15,431)	(11,696)
Total long-term debt, net of current portion	140,699	145,575

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

2) Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC. The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43% p. a.

7. Short-term Loans

Short-term loans at September 30, 2016 and December 31, 2015 are as follows (in CZK millions):

	September 30, 2016	December 31, 2015
Short-term bank loans	9,796	40
Bank overdrafts	738	183
Short-term bonds	3,513	-
Total	14,047	223

8. Impairment of Property, Plant and Equipment and Intangible Assets including Goodwill

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired or that previously recognized impairment losses (except for goodwill) may no longer exist or may have decreased. The result of the assessment made at September 30, 2016 was that certain assets might have been impaired. In such case, the Group reviews the recoverable amounts of the assets to determine whether such amounts continue to exceed the assets' carrying values. If not, the Group recognizes impairment loss directly in profit or loss in the line item of Impairment of property, plant and equipment and intangible assets including goodwill.

The Group recognized for first nine months ended September 30, 2016 the total amount of impairment loss of CZK 982 million. The line item Impairment of property, plant and equipment and intangible assets including goodwill also includes gain from write-off of negative goodwill resulting from the acquisition of the company Energie2 Prodej, s.r.o. (see also Note 4) amounting to CZK 24 million.

The impairment loss in the amount of CZK 999 million is related to impairment of property, plant and equipment of cash-generating unit Romanian wind power farms. The impairment was caused especially by decrease in expected wholesale prices of electricity.

Information about breakdown by operating segments is included in Note 10.

9. Income Taxes

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

	1-9/2016			1-9/2015		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	(3,087)	587	(2,500)	9,748	(1,853)	7,895
Cash flow hedges reclassified to statement of income	(414)	79	(335)	(1,551)	295	(1,256)
Change in fair value of available-for-sale financial assets recognized in equity	2,211	(39)	2,172	41	90	131
Available-for-sale financial assets reclassified from equity	(3)	-	(3)	(100)	16	(84)
Translation differences - subsidiaries	25	-	25	(474)	-	(474)
Translation differences - joint-ventures	(298)	-	(298)	(1,551)	-	(1,551)
Translation differences reclassified from equity	(102)	-	(102)	(1)	-	(1)
Share on other equity movements of joint-ventures	33	-	33	(60)	-	(60)
Total	(1,635)	627	(1,008)	6,052	(1,452)	4,600

10. 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

This definition of the operating segments is a result of organizational changes in corporate governance of the Group which have been made effective since January 1, 2016. The segments are defined across the countries that CEZ Group operates in now. 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 segment information for previous periods of the year 2015 has been adjusted to provide fully comparative information on the same basis.

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):

	1-9/2016	1-9/2015
Income before other income (expenses) and income taxes (EBIT)	21,598	24,623
Depreciation and amortization	21,260	21,422
Impairment of property, plant and equipment and intangible assets including goodwill	958	2,400
Gains and losses on sale of property, plant and equipment, net *	(59)	(66)
EBITDA	43,757	48,379

* 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, 2016 and 2015 and at December 31, 2015 (in CZK millions):

September 30, 2016:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
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
Identifiable assets	254,612	26,370	108,241	884	20,633	9,112	419,852	(738)	419,114
Investment in joint-ventures	2,311	535	530	256	180	4,177	7,989	-	7,989
Unallocated assets									180,966
Total assets									608,069
Capital expenditure	12,782	2	6,818	48	1,015	6,629	27,294	(5,777)	21,517

September 30, 2015:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Revenues and other operating income - other than intersegment	38,992	2,793	22,889	83,152	3,283	1,378	152,487	-	152,487
Revenues and other operating income - intersegment	26,540	581	22,867	4,833	3,633	12,922	71,376	(71,376)	-
Total revenues and other operating income	65,532	3,374	45,756	87,985	6,916	14,300	223,863	(71,376)	152,487
EBITDA	22,138	2,082	14,484	4,613	3,133	1,926	48,376	3	48,379
Depreciation and amortization	(12,486)	(1,275)	(4,397)	(24)	(1,811)	(1,429)	(21,422)	-	(21,422)
Impairment of property, plant and equipment and intangible assets including goodwill	(1,283)	(647)	(459)	-	1	(12)	(2,400)	-	(2,400)
EBIT	8,347	160	9,659	4,589	1,327	538	24,620	3	24,623
Interest on debt and provisions	(3,191)	(401)	(208)	(2)	(149)	(244)	(4,195)	703	(3,492)
Interest income	760	1	35	7	10	205	1,018	(703)	315
Share of profit (loss) from joint-ventures	(1,434)	22	101	129	6	(998)	(2,174)	-	(2,174)
Income taxes	(1,283)	94	(1,784)	(875)	(257)	(169)	(4,274)	-	(4,274)
Net income	23,576	128	7,795	3,843	1,617	424	37,383	(20,768)	16,615
Capital expenditure	11,248	149	6,625	28	1,133	5,968	25,151	(4,939)	20,212

December 31, 2015:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Identifiable assets	256,633	28,212	105,982	367	21,480	9,754	422,428	(1,064)	421,364
Investment in joint-ventures	2,835	527	1,066	388	184	4,239	9,239	-	9,239
Unallocated assets									172,083
Total assets									602,686

11. Events after the Balance Sheet Date

On October 20, 2016 ČEZ and Sokolovská uhelná reached an agreement. A part of the agreement is a new purchase contract for the supply of brown coal from Sokolovská uhelná and the sale of the Tisová Power Plant to Sokolovská uhelná. Both parties agreed to take steps to put an end to all existing lawsuits and not to raise any more claims.