

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF JUNE 30, 2018

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2018**

in CZK Millions

	Note	June 30, 2018	December 31, 2017
ASSETS:			
Plant in service		814,942	833,359
Less accumulated depreciation and impairment		(435,117)	(437,210)
Net plant in service		379,825	396,149
Nuclear fuel, at amortized cost		15,887	15,218
Construction work in progress		15,880	16,652
Total property, plant and equipment		411,592	428,019
Investment in associates and joint-ventures		3,508	3,520
Restricted financial assets, net		18,763	18,468
Investments and other financial assets, net		8,547	9,845
Intangible assets, net		25,858	26,804
Deferred tax assets		913	1,297
Total other non-current assets		57,589	59,934
Total non-current assets		469,181	487,953
Cash and cash equivalents, net		10,539	12,623
Receivables, net		61,331	57,766
Income tax receivable		3,072	1,171
Materials and supplies, net		9,966	9,537
Fossil fuel stocks		1,020	1,021
Emission rights		8,641	9,370
Other financial assets, net		87,433	43,052
Other current assets		3,632	3,684
Assets classified as held for sale	5	16,827	30
Total current assets		202,461	138,254
Total assets		671,642	626,207

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

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2018**

continued

	Note	June 30, 2018	December 31, 2017
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(3,551)	(4,077)
Retained earnings and other reserves		188,094	200,296
Total equity attributable to equity holders of the parent		238,342	250,018
Non-controlling interests		4,527	4,304
Total equity		242,869	254,322
Long-term debt, net of current portion	7	132,420	132,475
Provisions		73,043	73,291
Deferred tax liabilities		20,289	19,993
Other long-term liabilities		13,510	15,844
Total long-term liabilities		239,262	241,603
Short-term loans	8	5,476	11,072
Current portion of long-term debt	7	3,212	8,622
Trade and other payables		155,777	87,236
Income tax payable		154	176
Provisions		7,442	9,226
Accrued liabilities		11,667	13,950
Liabilities associated with assets classified as held for sale	5	5,783	-
Total current liabilities		189,511	130,282
Total equity and liabilities		671,642	626,207

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, 2018

in CZK Millions

	Note	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Sales of electricity and related services		67,445	84,614	32,857	40,752
Sales of gas, coal, heat and other revenues		18,022	14,123	7,669	5,615
Other operating income		832	2,146	371	1,694
Total revenues and other operating income	9	86,299	100,883	40,897	48,061
Gains and losses from commodity derivative trading, net		11	599	(846)	(934)
Fuel		(5,763)	(6,338)	(2,412)	(2,705)
Purchased power and related services		(26,327)	(44,268)	(11,907)	(20,768)
Repairs and maintenance		(1,699)	(1,559)	(1,076)	(973)
Depreciation and amortization		(14,096)	(14,982)	(6,967)	(7,485)
Impairment of property, plant and equipment and intangible assets including goodwill		(157)	(271)	(162)	(270)
Salaries and wages		(11,831)	(9,640)	(6,122)	(4,995)
Materials and supplies		(3,785)	(2,327)	(1,917)	(1,257)
Emission rights, net		(1,597)	(719)	(1,791)	(892)
Other operating expenses		(8,378)	(4,137)	(5,419)	(2,196)
Income before other income (expenses) and income taxes		12,677	17,241	2,278	5,586
Interest on debt, net of capitalized interest		(2,492)	(1,800)	(1,275)	(869)
Interest on provisions		(900)	(814)	(451)	(407)
Interest income		125	134	85	67
Foreign exchange rate gains (losses), net		(395)	461	(208)	561
Gain on sale of subsidiaries, associates and joint-ventures		2	-	2	-
Other financial expenses		(96)	(1,094)	(34)	(1,065)
Other financial income		685	5,559	277	4,760
Share of profit (loss) from associates and joint-ventures		(283)	(255)	(254)	138
Total other income (expenses)		(3,354)	2,191	(1,858)	3,185
Income before income taxes		9,323	19,432	420	8,771
Income taxes		(1,608)	(2,774)	40	(787)
Net income		7,715	16,658	460	7,984
Net income attributable to:					
Equity holders of the parent		7,509	16,314	388	7,745
Non-controlling interests		206	344	72	239
Net income per share attributable to equity holders of the parent (CZK per share)					
Basic		14.0	30.5	0.7	14.5
Diluted		14.0	30.5	0.7	14.5

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, 2018

in CZK Millions

	Note	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Net income		7,715	16,658	460	7,984
Change in fair value of cash flow hedges recognized in equity		(7,211)	3,762	(8,022)	1,975
Cash flow hedges reclassified to statement of income		1,720	2,737	205	2,015
Change in fair value of debt instruments recognized in equity		-	(666)	-	(32)
Debt instruments reclassified from equity		(513)	(32)	(337)	(15)
Change in fair value of equity instruments recognized in equity		-	(191)	-	272
Equity instruments reclassified from equity		-	(5,585)	-	(5,566)
Translation differences – subsidiaries		581	(1,452)	860	(1,691)
Translation differences – associates and joint-ventures		101	(339)	90	(226)
Translation differences reclassified from equity		12	-	-	-
Share on other equity movements of associates and joint-ventures		-	35	-	9
Deferred tax related to other comprehensive income	10	1,142	(1,099)	1,541	(747)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		<u>(4,168)</u>	<u>(2,830)</u>	<u>(5,663)</u>	<u>(4,006)</u>
Total comprehensive income, net of tax		<u>3,547</u>	<u>13,828</u>	<u>(5,203)</u>	<u>3,978</u>
Total comprehensive income attributable to:					
Equity holders of the parent		3,275	13,558	(5,357)	3,814
Non-controlling interests		272	270	154	164

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**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 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		-	-	-	-	-	-	16,314	16,314	344	16,658
Other comprehensive income		-	-	(1,675)	5,263	(562)	(5,817)	35	(2,756)	(74)	(2,830)
Total comprehensive income		-	-	(1,675)	5,263	(562)	(5,817)	16,349	13,558	270	13,828
Dividends		-	-	-	-	-	-	(17,630)	(17,630)	(235)	(17,865)
Share options		-	-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity		-	-	-	-	-	(15)	15	-	-	-
June 30, 2017		<u>53,799</u>	<u>(4,246)</u>	<u>(12,454)</u>	<u>(2,236)</u>	<u>1,104</u>	<u>353</u>	<u>216,432</u>	<u>252,752</u>	<u>4,583</u>	<u>257,335</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, 2018

continued

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
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		-	-	-	-	-	-	7,509	7,509	206	7,715
Other comprehensive income		-	-	628	(4,448)	(414)	-	-	(4,234)	66	(4,168)
Total comprehensive income		-	-	628	(4,448)	(414)	-	7,509	3,275	272	3,547
Dividends	6	-	-	-	-	-	-	(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 within equity		-	-	-	-	-	(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
June 30, 2018		<u>53,799</u>	<u>(3,551)</u>	<u>(11,133)</u>	<u>(12,205)</u>	<u>263</u>	<u>66</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 CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

in CZK Millions

	Note	1-6/2018	1-6/2017
OPERATING ACTIVITIES:			
Income before income taxes		9,323	19,432
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		14,096	14,982
Amortization of nuclear fuel		1,949	1,817
Gain on non-current asset retirements, net		(77)	(5,858)
Foreign exchange rate losses (gains), net		395	(461)
Interest expense, interest income and dividend income, net		2,213	1,435
Provisions		(1,558)	(2,087)
Impairment of property, plant and equipment and intangible assets including goodwill		157	271
Valuation allowances and other adjustments		1,733	(222)
Share of (profit) loss from associates and joint-ventures		283	255
Changes in assets and liabilities:			
Receivables		(7,002)	7,652
Materials, supplies and fossil fuel stocks		(506)	(209)
Receivables and payables from derivatives		477	(2,706)
Other current assets		3,521	282
Trade and other payables		2,776	(3,968)
Accrued liabilities		(1,635)	(2,667)
Cash generated from operations		26,145	27,948
Income taxes paid		(2,066)	(2,643)
Interest paid, net of capitalized interest		(3,098)	(2,082)
Interest received		124	141
Dividends received		5	233
Net cash provided by operating activities		21,110	23,597
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(289)	(95)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		156	1,314
Additions to non-current assets, including capitalized interest		(10,013)	(13,791)
Proceeds from sale of non-current assets		1,675	12,734
Loans made		(8)	(19)
Repayment of loans		-	356
Change in restricted financial assets		(816)	(856)
Total cash used in investing activities		(9,295)	(357)

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, 2018

continued

	<u>Note</u>	<u>1-6/2018</u>	<u>1-6/2017</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings		33,815	56,241
Payments of borrowings		(45,827)	(71,946)
Proceeds from other long-term liabilities		20	16
Payments of other long-term liabilities		(33)	(32)
Dividends paid to Company's shareholders		(44)	(56)
Dividends paid to non-controlling interests		(7)	(9)
Sale of treasury shares		204	-
Sale of non-controlling interests		5	-
Total cash used in financing activities		<u>(11,867)</u>	<u>(15,786)</u>
Net effect of currency translation and impairment in cash		<u>58</u>	<u>(115)</u>
Net increase in cash and cash equivalents		6	7,339
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>12,629</u></u>	<u><u>18,669</u></u>
Supplementary cash flow information			
Total cash paid for interest		3,259	3,244

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, 2018

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (70.2% of voting rights) at June 30, 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, 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, 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):

	IFRS 9	IFRS 15	Total
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	13	2,510	2,523
Impact on Total equity	(66)	2,510	2,444
Less: Non-controlling interests	(4)	(20)	(24)
Impact on Total equity attributable to equity holders of the parent	(62)	2,530	2,468

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 1-6/2017 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):

	1-6/2017 according to IAS 18	Effect of connection fees	Effect of agent vs. principal	1-6/2017 according to IFRS 15
Sales of electricity and related services	84,614	-	(13,981)	70,633
Sales of gas, coal, heat and other revenues	14,123	(326)	(1,175)	12,622
Other operating income	2,146	-	(29)	2,117
Total revenues and other operating income	100,883	(326)	(15,185)	85,372
Purchased power and related services	(44,268)	-	15,143	(29,125)
Other operating expenses	(4,137)	-	42	(4,095)
Income before income taxes	19,432	(326)	-	19,106
Income taxes	(2,774)	51	-	(2,723)
Net income	16,658	(275)	-	16,383

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 2018

On January 31, 2018 the Group acquired a 100% interest in the polish company 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 June 30, 2018 would have been CZK 7,715 million and the revenues and other operating income from continuing operations would have been CZK 86,323 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	192
Income before other income (expense) and income taxes	1
Net income (loss)	-
Net income (loss) attributable to:	
Equity holders of the parent	-
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 June 30, 2018 and December 31, 2017 are as follows (in CZK millions):

	June 30, 2018	December 31, 2017
	Bulgarian companies	Other
Property, plant and equipment	10,299	30
Intangible assets	433	-
Other non-current assets	46	-
Cash and cash equivalents	2,090	-
Receivables, net	3,334	-
Other current assets	625	-
Assets classified as held for sale	16,827	30
Non-current provisions	118	-
Long-term liabilities	1,774	-
Deferred tax liabilities	242	-
Short-term loans	715	-
Trade and other payables	2,366	-
Current provisions	509	-
Other current liabilities	59	-
Liabilities associated with assets classified as held for sale	5,783	-

6. Equity

On June 22, 2018 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share before tax of CZK 33.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 17,648 million.

7. Long-term Debt

Long-term debt at June 30, 2018 and December 31, 2017 is as follows (in CZK millions):

	June 30, 2018	December 31, 2017
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,412	2,263
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,609	1,510
5.000% Eurobonds, due 2021 (EUR 750 million)	19,479	19,114
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,299	1,275
3M Euribor + 0.55% Eurobonds, due 2018 (EUR 200 million)	-	5,106
4.875% Eurobonds, due 2025 (EUR 750 million)	19,457	19,095
4.500% Eurobonds, due 2020 (EUR 750 million)	19,460	19,087
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,319	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⁾	2,602	2,554
4.102% Eurobonds, due 2021 (EUR 50 million)	1,299	1,275
4.250% U.S. bonds, due 2022 (USD 289 million)	6,412	6,114
5.625% U.S. bonds, due 2042 (USD 300 million)	6,631	6,325
4.375% Eurobonds, due 2042 (EUR 50 million)	1,278	1,254
4.500% Eurobonds, due 2047 (EUR 50 million)	1,278	1,254
4.383% Eurobonds, due 2047 (EUR 80 million)	2,082	2,043
3.000% Eurobonds, due 2028 (EUR 725 million)	19,342	19,008
4.500% registered bonds, due 2030 (EUR 40 million)	1,024	1,004
4.750% registered bonds, due 2023 (EUR 40 million)	1,034	1,014
4.700% registered bonds, due 2032 (EUR 40 million)	1,036	1,016
4.270% registered bonds, due 2047 (EUR 61 million)	1,563	1,534
3.550% registered bonds, due 2038 (EUR 30 million)	777	763
	<hr/>	<hr/>
Total bonds and debentures	113,642	116,032
Less: Current portion	-	(5,106)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	113,642	110,926
Long-term bank and other loans:		
Total long-term bank and other loans	21,990	25,065
Less: Current portion	(3,212)	(3,516)
	<hr/>	<hr/>
Long-term bank and other loans, net of current portion	18,778	21,549
Total long-term debt	135,632	141,097
Less: Current portion	(3,212)	(8,622)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>132,420</u>	<u>132,475</u>

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.

8. Short-term Loans

Short-term loans at June 30, 2018 and December 31, 2017 are as follows (in CZK millions):

	June 30, 2018	December 31, 2017
Short-term bank loans	5,351	10,976
Bank overdrafts	125	96
Total	<u>5,476</u>	<u>11,072</u>

9. Revenues and Other Operating Income

The composition of revenues and other operating income for the years ended June 30, 2018 and 2017 is as follows (in CZK millions):

	1-6/2018	1-6/2017
Sales of electricity and related services:		
Sales of electricity to end customers *	22,436	25,106
Sales of electricity through energy exchange	1,528	1,882
Sales of electricity to traders	16,140	18,030
Sales to distribution and transmission companies	91	127
Other sales of electricity	9,182	8,809
Effect of hedging - presales of electricity	(2,532)	161
Effect of hedging - currency risk hedging	112	(1,149)
Sales of ancillary, system, distribution and other services *	20,488	31,648
Total sales of electricity and related services	<u>67,445</u>	<u>84,614</u>
Sales of gas, coal, heat and other revenues:		
Sales of gas	3,693	5,113
Sales of coal	2,192	2,110
Sales of heat	3,664	3,826
Other *	8,473	3,074
Total sales of gas, coal, heat and other revenues	<u>18,022</u>	<u>14,123</u>
Other operating income:		
Contractual fines and interest fees for delays	144	32
Gain on sale of property, plant and equipment	47	1,184
Gain on sale of material	72	82
Other *	569	848
Total other operating income	<u>832</u>	<u>2,146</u>
Total revenues and other operating income	<u>86,299</u>	<u>100,883</u>

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

10. Income Taxes

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

	1-6/2018			1-6/2017		
	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	(7,211)	1,370	(5,841)	3,762	(715)	3,047
Cash flow hedges reclassified to statement of income	1,720	(327)	1,393	2,737	(520)	2,217
Change in fair value of debt instruments recognized in equity	(513)	99	(414)	(666)	128	(538)
Debt instruments reclassified from equity	-	-	-	(32)	8	(24)
Change in fair value of equity instruments recognized in equity	-	-	-	(191)	-	(191)
Equity instruments reclassified from equity	-	-	-	(5,585)	-	(5,585)
Translation differences – subsidiaries	581	-	581	(1,452)	-	(1,452)
Translation differences – associates and joint-ventures	101	-	101	(339)	-	(339)
Translation differences reclassified from equity	12	-	12	-	-	-
Share on other equity movements of associates and joint-ventures	-	-	-	35	-	35
Total	(5,310)	1,142	(4,168)	(1,731)	(1,099)	(2,830)

11. 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>1-6/2018</u>	<u>1-6/2017</u>
Income before other income (expenses) and income taxes (EBIT)	12,677	17,241
Depreciation and amortization	14,096	14,982
Impairment of property, plant and equipment and intangible assets including goodwill	157	271
Gains and losses on sale of property, plant and equipment, net *	<u>(37)</u>	<u>(1,183)</u>
EBITDA	<u><u>26,893</u></u>	<u><u>31,311</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, 2018 and 2017 and at December 31, 2017 (in CZK millions):

June 30, 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	22,118	2,447	11,591	46,802	2,302	1,039	86,299	-	86,299
Revenues and other operating income - intersegment	16,901	278	12,230	6,436	2,361	5,509	43,715	(43,715)	-
Total revenues and other operating income	39,019	2,725	23,821	53,238	4,663	6,548	130,014	(43,715)	86,299
EBITDA	9,549	2,152	9,973	2,129	2,029	1,057	26,889	4	26,893
Depreciation and amortization	(8,150)	(877)	(3,036)	(163)	(1,164)	(706)	(14,096)	-	(14,096)
Impairment of property, plant and equipment and intangible assets including goodwill	(90)	-	(52)	-	11	(26)	(157)	-	(157)
EBIT	1,310	1,276	6,892	1,970	877	348	12,673	4	12,677
Interest on debt and provisions	(3,168)	(156)	(164)	(60)	(98)	(116)	(3,762)	370	(3,392)
Interest income	250	5	29	7	8	196	495	(370)	125
Share of profit (loss) from associates and joint-ventures	-	28	93	36	3	(443)	(283)	-	(283)
Income taxes	340	(60)	(1,241)	(349)	(160)	(138)	(1,608)	-	(1,608)
Net income	29,647	1,092	5,602	1,620	1,187	498	39,646	(31,931)	7,715
Identifiable assets	248,116	28,317	106,385	1,215	19,646	8,972	412,651	(1,059)	411,592
Investment in associates and joint-ventures	-	599	-	-	173	2,736	3,508	-	3,508
Unallocated assets									256,542
Total assets									671,642
Capital expenditure	2,385	117	5,342	134	273	1,168	9,419	(457)	8,962

June 30, 2017:	Gene- ration - Traditional Energy	Gene- ration - New Energy	Distribu- tion	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income - other than intersegment	27,763	2,175	14,493	53,066	2,211	1,175	100,883	-	100,883
Revenues and other operating income - intersegment	15,372	407	14,450	2,356	2,367	7,177	42,129	(42,129)	-
Total revenues and other operating income	43,135	2,582	28,943	55,422	4,578	8,352	143,012	(42,129)	100,883
EBITDA	12,733	2,324	10,046	2,732	2,095	1,378	31,308	3	31,311
Depreciation and amortization	(9,066)	(847)	(3,109)	(41)	(1,158)	(761)	(14,982)	-	(14,982)
Impairment of property, plant and equipment and intangible assets including goodwill	-	(269)	(8)	-	-	6	(271)	-	(271)
EBIT	4,813	1,207	6,943	2,692	938	645	17,238	3	17,241
Interest on debt and provisions	(2,379)	(119)	(167)	(4)	(95)	(146)	(2,910)	296	(2,614)
Interest income	328	-	15	1	1	85	430	(296)	134
Share of profit (loss) from associates and joint-ventures	(65)	(30)	34	(83)	2	(113)	(255)	-	(255)
Income taxes	(563)	(119)	(1,249)	(511)	(179)	(153)	(2,774)	-	(2,774)
Net income	13,818	931	5,575	2,067	1,341	5,439	29,171	(12,513)	16,658
Capital expenditure	5,120	173	5,279	39	331	3,118	14,060	(2,147)	11,913
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>