

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF MARCH 31, 2019

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 2019**

in CZK Millions

	Note	March 31, 2019	December 31, 2018
<b>ASSETS:</b>			
Plant in service		837,512	830,955
Less accumulated depreciation and impairment		(451,969)	(445,926)
<b>Net plant in service</b>		<b>385,543</b>	<b>385,029</b>
Nuclear fuel, at amortized cost		14,526	14,427
Construction work in progress, net		17,098	16,452
<b>Total property, plant and equipment</b>		<b>417,167</b>	<b>415,908</b>
Investments in associates and joint-ventures		3,370	3,361
Restricted financial assets, net		19,241	18,834
Other non-current financial assets, net		10,450	9,948
Intangible assets, net		31,794	31,127
Deferred tax assets		1,152	1,269
<b>Total other non-current assets</b>		<b>66,007</b>	<b>64,539</b>
<b>Total non-current assets</b>		<b>483,174</b>	<b>480,447</b>
Cash and cash equivalents, net		8,120	7,278
Trade receivables, net		65,195	72,234
Income tax receivable		1,099	352
Materials and supplies, net		8,275	8,737
Fossil fuel stocks		934	1,066
Emission rights		17,126	16,655
Other current financial assets, net		62,857	93,303
Other current assets, net		11,312	9,874
Assets classified as held for sale	5	17,670	17,497
<b>Total current assets</b>		<b>192,588</b>	<b>226,996</b>
<b>Total assets</b>		<b>675,762</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 MARCH 31, 2019**

continued

	Note	March 31, 2019	December 31, 2018
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(3,319)	(3,534)
Retained earnings and other reserves		201,105	184,456
<b>Total equity attributable to equity holders of the parent</b>		<b>251,585</b>	<b>234,721</b>
Non-controlling interests		4,641	4,560
<b>Total equity</b>		<b>256,226</b>	<b>239,281</b>
Long-term debt, net of current portion	6	146,764	142,440
Provisions		76,442	75,798
Other long-term financial liabilities		11,493	15,054
Deferred tax liability		20,489	16,699
Other long-term liabilities		32	31
<b>Total non-current liabilities</b>		<b>255,220</b>	<b>250,022</b>
Short-term loans	7	812	11,783
Current portion of long-term debt	6	8,425	6,743
Trade payables		55,167	63,093
Income tax payable		164	253
Provisions		12,541	12,323
Other short-term financial liabilities		74,592	110,287
Other short-term liabilities		6,515	7,461
Liabilities associated with assets classified as held for sale	5	6,100	6,197
<b>Total current liabilities</b>		<b>164,316</b>	<b>218,140</b>
<b>Total equity and liabilities</b>		<b>675,762</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 THREE MONTHS ENDED MARCH 31, 2019**

in CZK Millions

	Note	1-3/2019	1-3/2018 *
Sales of electricity, heat, gas and coal		34,895	30,108
Sales of services and other revenues		16,088	15,488
Other operating income		866	757
<b>Total revenues and other operating income</b>	8	<b>51,849</b>	<b>46,353</b>
Gains and losses from commodity derivative trading		1,767	1,421
Purchase of electricity, gas and other energies		(14,409)	(12,253)
Fuel and emission rights		(5,369)	(3,786)
Services		(6,044)	(5,837)
Salaries and wages		(6,311)	(5,709)
Material and supplies		(2,016)	(1,868)
Capitalization of expenses to the cost of assets and change in own inventories		1,294	588
Depreciation and amortization		(6,989)	(7,129)
Impairment of property, plant and equipment and intangible assets		(512)	5
Impairment of trade and other receivables		18	(10)
Other operating expenses		(1,485)	(1,376)
<b>Income before other income (expenses) and income taxes</b>		<b>11,793</b>	<b>10,399</b>
Interest on debt		(1,364)	(1,217)
Interest on provisions		(465)	(449)
Interest income		110	40
Share of profit (loss) from associates and joint-ventures		(63)	(29)
Impairment of financial assets		37	1
Other financial expenses		(27)	(250)
Other financial income		187	408
<b>Total other income (expenses)</b>		<b>(1,585)</b>	<b>(1,496)</b>
<b>Income before income taxes</b>		<b>10,208</b>	<b>8,903</b>
Income taxes		(1,909)	(1,648)
<b>Net income</b>		<b>8,299</b>	<b>7,255</b>
Net income attributable to:			
Equity holders of the parent		8,198	7,121
Non-controlling interests		101	134
Net income per share attributable to equity holders of the parent (CZK per share):			
Basic		15.3	13.3
Diluted		15.3	13.3

\* 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 THREE MONTHS ENDED MARCH 31, 2019**

in CZK Millions

	Note	1-3/2019	1-3/2018
<b>Net income</b>		8,299	7,255
Change in fair value of cash flow hedges		8,991	811
Cash flow hedges reclassified to statement of income		2,080	1,515
Change in fair value of debt instruments		33	(176)
Disposal of debt instruments		1	-
Translation differences – subsidiaries		(470)	(279)
Translation differences – associates and joint-ventures		35	11
Disposal of translation differences		-	12
Share on other equity movements of associates and joint-ventures		(4)	-
Deferred tax related to other comprehensive income	9	(2,109)	(399)
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		8,557	1,495
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>		8,559	1,495
<b>Total comprehensive income, net of tax</b>		16,858	8,750
Total comprehensive income attributable to:			
Equity holders of the parent		16,747	8,632
Non-controlling interests		111	118

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 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, 2018</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, 2019 (restated)</b>		53,799	(4,077)	(11,763)	(7,757)	678	77	221,529	252,486	4,280	256,766
Net income		-	-	-	-	-	-	7,121	7,121	134	7,255
Other comprehensive income		-	-	(241)	1,894	(142)	-	-	1,511	(16)	1,495
<b>Total comprehensive income</b>		-	-	(241)	1,894	(142)	-	7,121	8,632	118	8,750
Sale of treasury shares		-	193	-	-	-	-	(119)	74	-	74
Share options		-	-	-	-	-	8	-	8	-	8
Transfer of exercised and forfeited share options		-	-	-	-	-	(6)	6	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	8	8	(13)	(5)
Sale of non-controlling interests		-	-	-	-	-	-	-	-	4	4
Put options held by non-controlling interests		-	-	(1)	-	-	-	-	(1)	1	-
<b>March 31, 2019</b>		<u>53,799</u>	<u>(3,884)</u>	<u>(12,005)</u>	<u>(5,863)</u>	<u>536</u>	<u>79</u>	<u>228,545</u>	<u>261,207</u>	<u>4,390</u>	<u>265,597</u>

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

**CEZ GROUP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 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		-	-	-	-	-	-	8,198	8,198	101	8,299
Other comprehensive income		-	-	(445)	8,967	28	-	(1)	8,549	10	8,559
<b>Total comprehensive income</b>		-	-	(445)	8,967	28	-	8,197	16,747	111	16,858
Sale of treasury shares		-	215	-	-	-	-	(135)	80	-	80
Share options		-	-	-	-	-	7	-	7	-	7
Transfer of exercised and forfeited share options		-	-	-	-	-	(8)	8	-	-	-
Put options held by non-controlling interests		-	-	1	-	-	-	29	30	(30)	-
<b>March 31, 2019</b>		<u>53,799</u>	<u>(3,319)</u>	<u>(12,009)</u>	<u>(9,370)</u>	<u>416</u>	<u>112</u>	<u>221,956</u>	<u>251,585</u>	<u>4,641</u>	<u>256,226</u>

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

in CZK Millions

	Note	1-3/2019	1-3/2018
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		10,208	8,903
<b>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</b>			
Depreciation and amortization		6,989	7,129
Amortization of nuclear fuel		997	942
(Gains) and losses on non-current asset retirements		(23)	(38)
Foreign exchange rate loss (gain)		(15)	187
Interest expense, interest income and dividend income		1,254	1,177
Provisions		479	532
Impairment of property, plant and equipment and intangible assets		512	(5)
Valuation allowances and other adjustments		3,153	1,815
Share of (profit) loss from associates and joint-ventures		63	29
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		5,908	(11,167)
Materials, supplies and fossil fuel stocks		552	322
Receivables and payables from derivatives		(1,263)	(636)
Other assets		(1,006)	930
Trade payables		(5,953)	10,057
Other liabilities		(951)	(1,466)
<b>Cash generated from operations</b>		20,904	18,711
Income taxes paid		(991)	(1,014)
Interest paid, net of capitalized interest		(298)	(567)
Interest received		111	34
<b>Net cash provided by operating activities</b>		19,726	17,164
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(339)	(232)
Additions to non-current assets, including capitalized interest		(7,003)	(4,753)
Proceeds from sale of non-current assets		939	90
Loans made		(10)	(8)
Repayment of loans		11	-
Change in restricted financial assets		(375)	63
<b>Total cash used in investing activities</b>		(6,777)	(4,840)

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



**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

continued

	Note	1-3/2019	1-3/2018
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		17,465	20,715
Payments of borrowings		(29,253)	(32,412)
Lease payments		(167)	-
Proceeds from other long-term liabilities		24	7
Payments of other long-term liabilities		(27)	(19)
Dividends paid to Company's shareholders		(13)	(15)
Sale of treasury shares		80	72
Sale of non-controlling interests		-	5
<b>Total cash used in financing activities</b>		<u>(11,891)</u>	<u>(11,647)</u>
Net effect of currency translation and allowances in cash		<u>36</u>	<u>(36)</u>
<b>Net increase in cash and cash equivalents</b>		1,094	641
<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>10,339</u></u>	<u><u>13,264</u></u>
Supplementary cash flow information:			
Total cash paid for interest		319	601

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

# **CEZ GROUP**

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

### **AS OF MARCH 31, 2019**

#### **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 March 31, 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 three months ended March 31, 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 4,996 million. The lease liabilities are included in long-term debts (see Note 6).

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 322 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 1-3/2018
<b>CONSOLIDATED STATEMENT OF INCOME:</b>	
Sales of electricity, heat, gas and coal	30,108
Sales of services and other revenues	15,488
Sales of electricity and related services *	(34,588)
Sales of gas, coal, heat and other revenues *	(10,353)
Other operating income	296
<b>Total revenues and other operating income</b>	<b>951</b>
Gains and losses from commodity derivative trading	564
Purchase of electricity, gas and other energies	(12,253)
Fuel and emission rights	(3,786)
Fuel *	3,351
Purchase power and related services *	14,420
Services	(5,837)
Repairs and maintenance *	623
Capitalization of expenses to the cost of assets and change in own inventories	588
Impairment of trade and other receivables	(10)
Emission rights, net *	(194)
Other operating expenses	1,583
<b>Income before other income (expenses) and income taxes</b>	<b>-</b>
Impairment of financial assets	1
Other financial expenses	(188)
Foreign exchange rate gains (losses), net *	187
<b>Total other income (expenses)</b>	<b>-</b>
<b>Net income</b>	<b>-</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 three 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.

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):

	<u>En.plus</u>	<u>Other</u>	<u>Total</u>
Share of the Group being acquired	100%	100%	
Property, plant and equipment, net	18	11	29
Intangible assets, net	102	-	102
Cash and cash equivalents	-	1	1
Trade receivables, net	201	31	232
Other current assets	37	10	47
Deferred tax liability	(33)	-	(33)
Short-term loans	(103)	(1)	(104)
Trade payables	(45)	(10)	(55)
Current provisions	(16)	(7)	(23)
Other current liabilities	(16)	(13)	(29)
Total net assets	<u>145</u>	<u>22</u>	<u>167</u>
Share of net assets acquired	145	22	167
Goodwill	<u>216</u>	<u>37</u>	<u>253</u>
Total purchase consideration	361	59	420
Liabilities from acquisition of the subsidiary	<u>(74)</u>	<u>(6)</u>	<u>(80)</u>
Cash outflow on acquisition of the subsidiary in 2019	287	53	340
Less: Cash and cash equivalents in the subsidiary acquired	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Cash outflow on acquisition of the subsidiary in 2019, net	<u><u>287</u></u>	<u><u>52</u></u>	<u><u>339</u></u>

If the combinations had taken place at the beginning of the year 2019, net income for CEZ Group as of March 31, 2019 would have been CZK 8,291 million and the revenues and other operating income from continuing operations would have been CZK 51,882 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):

	<u>En.plus</u>	<u>Other</u>	<u>Total</u>
Revenues and other operating income	59	27	86
Income before other income (expense) and income taxes	1	2	3
Net income (loss)	(1)	2	1
Net income (loss) attributable to:			
Equity holders of the parent	(1)	2	1
Non-controlling interests	-	-	-

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

As of March 31, 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 expected sales price, was an impairment of assets in the amount of CZK 318 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 March 31, 2019 and December 31, 2018 are as follows (in CZK millions):

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>Bulgarian companies</u>	<u>Bulgarian companies</u>
Property, plant and equipment, net	10,826	10,411
Intangible assets, net	451	446
Other non-current assets	143	128
Cash and cash equivalents	2,219	1,967
Trade receivables, net	3,521	4,092
Other current assets	510	453
Assets classified as held for sale	<u>17,670</u>	<u>17,497</u>
Long-term debt, net of current portion	1,650	1,313
Non-current provisions	143	144
Other long-term financial liabilities	238	218
Deferred tax liability	294	291
Short-term loans	223	309
Current portion of long-term debt	267	224
Trade payables	2,626	2,999
Current provisions	415	479
Other current liabilities	244	220
Liabilities associated with assets classified as held for sale	<u>6,100</u>	<u>6,197</u>

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. Long-term Debt

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

	March 31, 2019	December 31, 2018
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,483	2,468
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,658	1,647
5.000% Eurobonds, due 2021 (EUR 750 million)	19,755	19,457
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,295	1,287
4.875% Eurobonds, due 2025 (EUR 750 million)	20,201	19,909
4.500% Eurobonds, due 2020 (EUR 750 million)	19,972	19,693
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,390	2,370
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,301	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) <sup>1)</sup>	2,671	2,634
4.102% Eurobonds, due 2021 (EUR 50 million)	1,305	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,304	1,286
4.500% Eurobonds, due 2047 (EUR 50 million)	1,303	1,284
4.383% Eurobonds, due 2047 (EUR 80 million)	2,167	2,087
3.000% Eurobonds, due 2028 (EUR 725 million)	19,551	19,419
0.875% Eurobonds, due 2022 (EUR 500 million)	12,886	12,824
4.250% U.S. bonds, due 2022 (USD 289 million)	6,743	6,525
5.625% U.S. bonds, due 2042 (USD 300 million)	7,017	6,768
4.500% Registered bonds, due 2030 (EUR 40 million)	1,032	1,017
4.750% Registered bonds, due 2023 (EUR 40 million)	1,034	1,068
4.700% Registered bonds, due 2032 (EUR 40 million)	1,076	1,060
4.270% Registered bonds, due 2047 (EUR 61 million)	1,570	1,549
3.550% Registered bonds, due 2038 (EUR 30 million)	771	790
	<hr/>	<hr/>
Total bonds and debentures	129,485	127,717
Less: Current portion	(4,502)	(3,419)
	<hr/>	<hr/>
Bonds and debentures, net of current portion	124,983	124,298
	<hr/>	<hr/>
Long-term bank loans and lease payables:	25,704	21,466
Less: Current portion	(3,923)	(3,324)
	<hr/>	<hr/>
Long-term bank loans and lease payables, net of current portion	21,781	18,142
	<hr/>	<hr/>
Total long-term debt	155,189	149,183
Less: Current portion	(8,425)	(6,743)
	<hr/>	<hr/>
Total long-term debt, net of current portion	<u>146,764</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.

## 7. Short-term Loans

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

	March 31, 2019	December 31, 2018
Short-term bank loans	748	11,516
Bank overdrafts	64	267
Total	812	11,783

## 8. Revenues and Other Operating Income

The composition of revenues and other operating income for the first three months ended March 31, 2019 and 2018 is as follows (in CZK millions):

	1-3/2019	1-3/2018
Sales of electricity:		
Sales of electricity to end customers	13,142	12,597
Sales of electricity through energy exchange	585	773
Sales of electricity to traders	10,887	8,573
Sales to distribution and transmission companies	145	46
Other sales of electricity	5,481	2,716
Effect of hedging – presales of electricity	(2,937)	(1,266)
Effect of hedging – currency risk hedging	533	109
Total sales of electricity	27,836	23,548
Sales of gas, coal and heat:		
Sales of gas	2,953	2,659
Sales of coal	1,069	1,170
Sales of heat	3,037	2,731
Total sales of gas, coal and heat	7,059	6,560
Total sales of electricity, heat, gas and coal	34,895	30,108
Sales of services and other revenues:		
Distribution services	11,666	11,251
Other services	3,915	3,863
Revenues from goods sold	281	188
Other revenues	226	186
Total sales of services and other revenues	16,088	15,488
Other operating income:		
Granted green and similar certificates	339	295
Contractual fines and interest fees for delays	-	86
Gain on sale of property, plant and equipment	26	12
Gain on sale of material	38	56
Other	463	308
Total other operating income	866	757
Total revenues and other operating income	51,849	46,353

## 9. Income Taxes

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

	1-3/2019			1-3/2018		
	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	8,991	(1,709)	7,282	811	(154)	657
Cash flow hedges reclassified to statement of income	2,080	(395)	1,685	1,515	(279)	1,236
Change in fair value of debt instruments	33	(5)	28	(176)	34	(142)
Disposal of debt instruments	1	-	1	-	-	-
Translation differences – subsidiaries	(470)	-	(470)	(279)	-	(279)
Translation differences – associates and joint-ventures	35	-	35	11	-	11
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>10,668</b>	<b>(2,109)</b>	<b>8,559</b>	<b>1,894</b>	<b>(399)</b>	<b>1,495</b>



## 10. 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>1-3/2019</u>	<u>1-3/2018</u>
Income before other income (expenses) and income taxes (EBIT)	11,793	10,399
Depreciation and amortization	6,989	7,129
Impairment of property, plant and equipment and intangible assets	512	(5)
Gains and losses on sale of property, plant and equipment, net *	<u>(23)</u>	<u>(10)</u>
EBITDA	<u><u>19,271</u></u>	<u><u>17,513</u></u>

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

The following tables summarize segment information by operating segments for the three months ended March 31, 2019 and 2018 and at December 31, 2018 (in CZK millions):

March 31, 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	16,690	1,727	11,216	21,006	1,134	76	51,849	-	51,849
Revenues and other operating income – intersegment	11,365	134	150	2,133	1,677	1,061	16,520	(16,520)	-
Total revenues and other operating income	28,055	1,861	11,366	23,139	2,811	1,137	68,369	(16,520)	51,849
EBITDA	10,013	1,168	5,378	704	1,539	468	19,270	1	19,271
Depreciation and amortization	(3,795)	(457)	(1,510)	(219)	(713)	(295)	(6,989)	-	(6,989)
Impairment of property, plant and equipment and intangible assets	(15)	(12)	(490)	-	5	-	(512)	-	(512)
EBIT	6,206	699	3,381	494	832	180	11,792	1	11,793
Interest on debt and provisions	(1,673)	(59)	(205)	(68)	(54)	(35)	(2,094)	265	(1,829)
Interest income	207	38	37	38	25	30	375	(265)	110
Share of profit (loss) from associates and joint-ventures	(9)	-	(79)	22	3	-	(63)	-	(63)
Income taxes	(944)	4	(651)	(120)	(163)	(35)	(1,909)	-	(1,909)
Net income	3,870	747	2,522	354	671	135	8,299	-	8,299
Identifiable assets	245,403	28,123	110,686	5,334	21,964	5,663	417,173	(6)	417,167
Investment in associates and joint- ventures	2,644	232	-	315	179	-	3,370	-	3,370
Unallocated assets									255,225
Total assets									675,762
Capital expenditure	1,743	360	1,796	181	427	143	4,650	(21)	4,629

March 31, 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	12,971	1,468	10,741	19,848	1,258	67	46,353	-	46,353
Revenues and other operating income – intersegment	9,245	156	2,358	3,600	1,462	1,060	17,881	(17,881)	-
Total revenues and other operating income	22,216	1,624	13,099	23,448	2,720	1,127	64,234	(17,881)	46,353
EBITDA	7,946	1,011	5,446	1,259	1,461	388	17,511	2	17,513
Depreciation and amortization	(4,164)	(438)	(1,583)	(77)	(654)	(213)	(7,129)	-	(7,129)
Impairment of property, plant and equipment and intangible assets	-	-	-	-	5	-	5	-	5
EBIT	3,785	574	3,862	1,183	814	179	10,397	2	10,399
Interest on debt and provisions	(1,562)	(46)	(78)	(31)	(49)	(31)	(1,797)	131	(1,666)
Interest income	114	29	10	3	3	12	171	(131)	40
Share of profit (loss) from associates and joint-ventures	(6)	-	(88)	62	3	-	(29)	-	(29)
Income taxes	(481)	(43)	(707)	(224)	(158)	(35)	(1,648)	-	(1,648)
Net income	1,964	509	2,996	964	636	186	7,255	-	7,255
Capital expenditure	779	119	1,809	47	222	195	3,171	(41)	3,130
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>

## **11. Events after the Balance Sheet Date**

On April 12, 2019, The Group decided to terminate the sales contract concluded on February 23, 2018 with company Inercom 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. The affected assets are still classified as held for sale (see Note 5), because negotiations with interested parties in these assets are ongoing and the sale within 12 months is highly probable.