

**CEZ Group
Annual Report
2016**

**Renewables
support**



**Growth
in demand
for electricity**



**Technology
advancement**



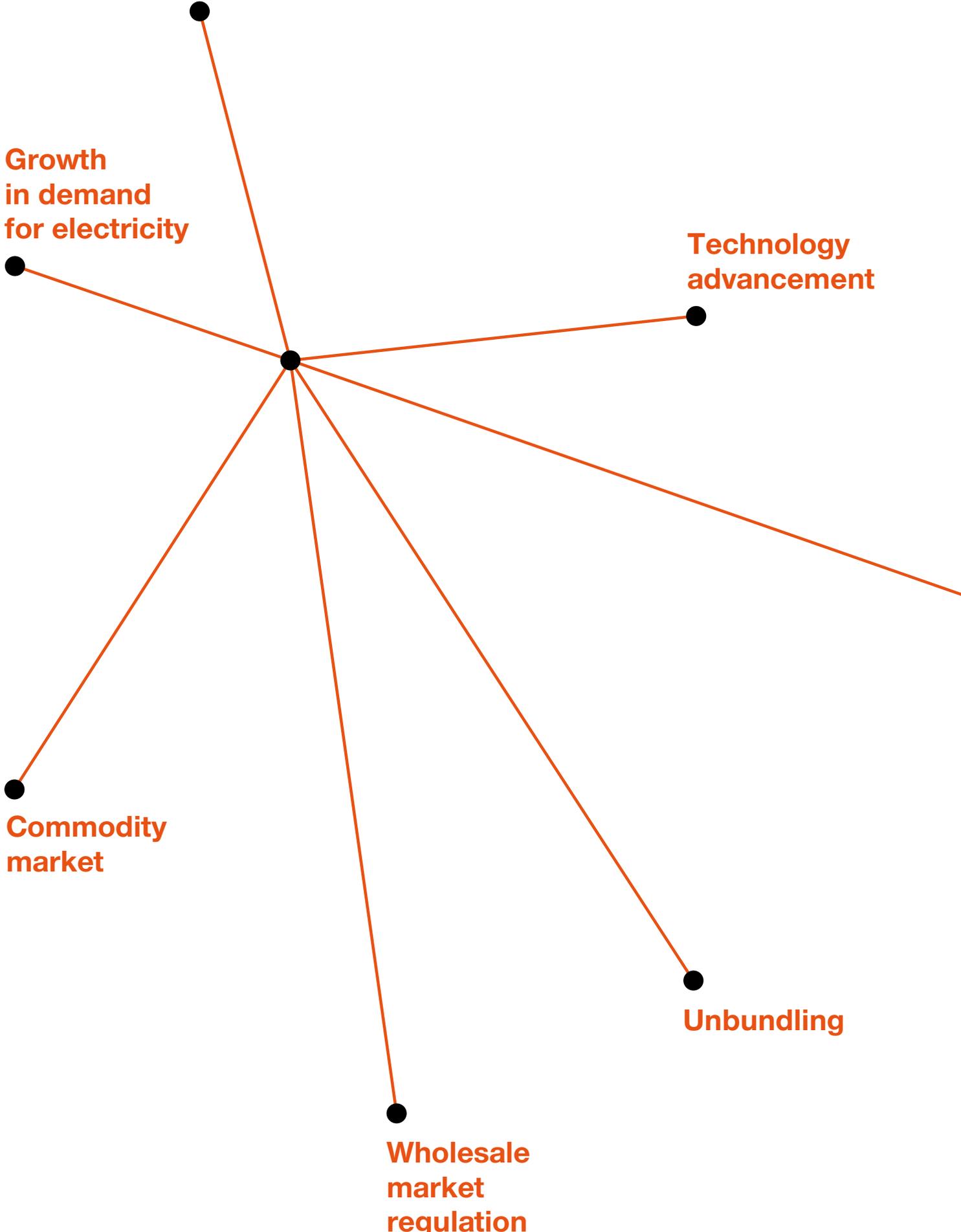
**Commodity
market**

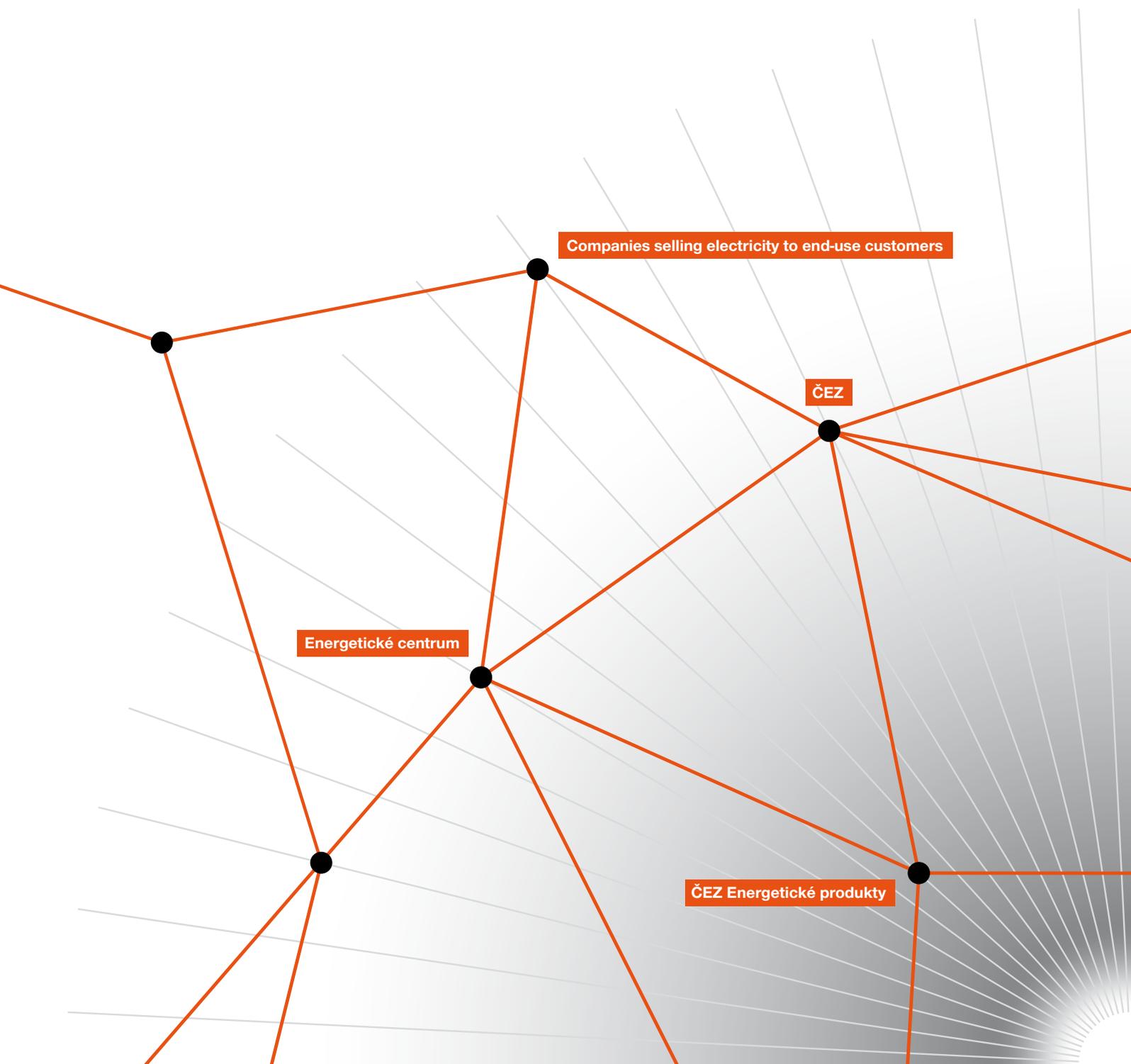


Unbundling



**Wholesale
market
regulation**





Companies selling electricity to end-use customers

ČEZ

Energetické centrum

ČEZ Energetické produkty

Energy can have many forms, and the same level of variety can be found within CEZ Group. It consists of the parent company and more than one hundred other entities, and all of them have their own face. Certain level of individuality is an important means for us to always be the best choice for our customers—whether they are an industrial enterprise, a city, a small municipality, or a household.



Joined by Energy



CEZ Group's Profile

Headquartered in Czechia, CEZ Group is an integrated energy conglomerate with operations in a number of Central and Southeastern European countries and Turkey. Its core business is the generation, distribution, trade in and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. It also offers its customers a range of technological solutions in the field of energy services. CEZ Group companies employ almost 27,000 people.

The largest shareholder of its parent company, ČEZ, is Czechia with a nearly 70% stake in the Company's stated capital (as at December 31, 2016). ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole; its goal is to bring innovations for resolving energy needs and to help improve the quality of life. CEZ Group's strategy is based on three priorities. CEZ Group wants to operate its power assets as efficiently as possible and adapt to the growing share of decentralized and zero-emission generation. Its second priority is to offer its customers a wide range of products and services in synergy with the sale of electricity and gas. Its third priority is to invest actively in promising energy assets with a focus on the Central European region and in supporting advanced technologies in an early stage of development.

CEZ Group companies in Czechia extract and sell coal, generate and distribute electricity and heat, and trade in electricity, natural gas, and other commodities. They also offer end-use customers technologies for electricity generation and storage and provide them with other services, especially in relation to energy savings. Their generation portfolio consists of nuclear, coal-fired, gas-fired, hydroelectric, photovoltaic, wind, and biogas facilities.

CEZ Group's activities abroad consist mainly of electricity distribution, generation, trading, and sales. CEZ Group is the owner or co-owner of generation and distribution assets in Poland, Romania, Bulgaria, Germany, and Turkey. CEZ Group's subsidiaries in the Netherlands are ownership intermediaries and companies providing financing.

CEZ Group trades in electricity and other commodities on wholesale markets in a number of European countries. Besides Czechia, CEZ Group sells electricity or natural gas to end-use customers in Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and support for innovation in order to increase CEZ Group's value.

CEZ Group's Presence in the Energy Sector by Territory

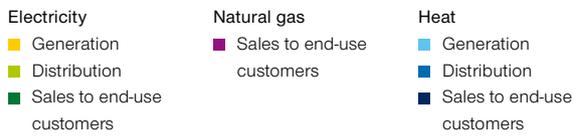
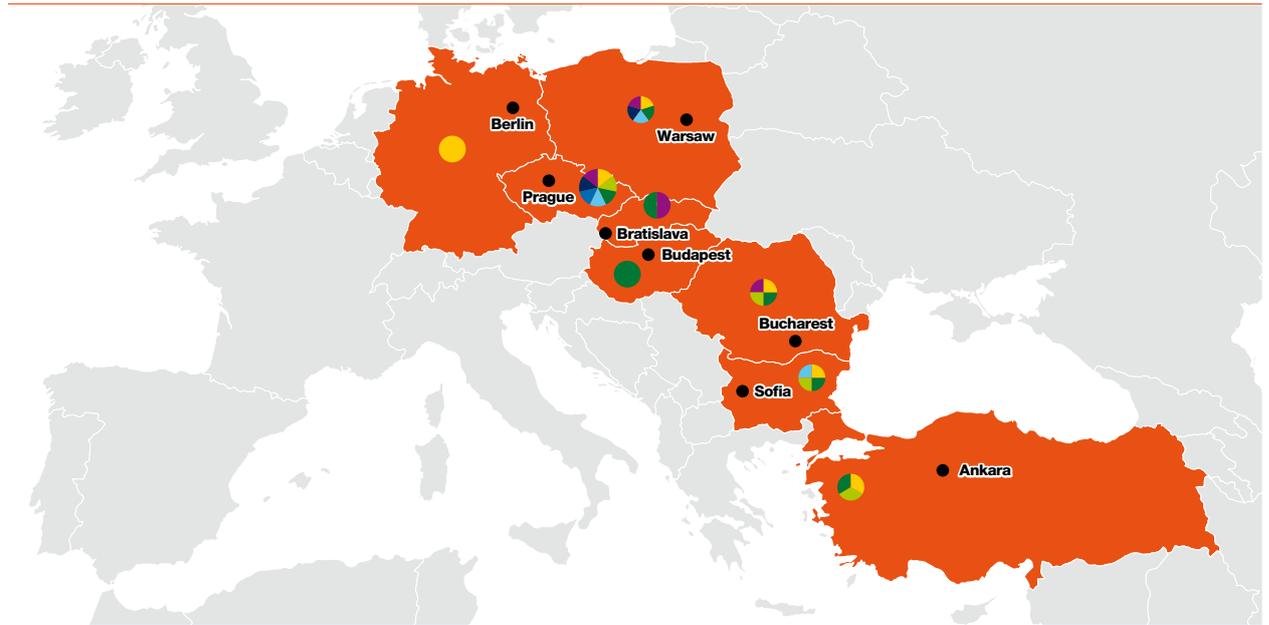


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Statutory Declaration by Persons Responsible for the CEZ Group Annual Report

Statutory Declaration

With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the year 2016 and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Prague, March 20, 2017



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



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

Information on the Independent Auditor's Reports

In connection with the audit of the consolidated and individual financial statements of ČEZ, a. s., the independent auditor acquainted itself with information contained in the Annual Report and reviewed its consistency with the financial statements and other facts known to it.

As required by the Czech Auditors Act, the independent auditor's opinion on the 2016 Annual Report is not given in a separate report but included in the independent auditor's reports on the financial statements. The Independent Auditor's Report on the Consolidated Financial Statements can be found on page 202 and the Independent Auditor's Report on the Individual Financial Statements can be found on page 268.

Daniel Beneš
Chairman of the Board of Directors
and Chief Executive Officer of ČEZ, a. s.



Introduction by the Chairman of the Board of Directors of ČEZ, a. s.

Dear shareholders,

In 2016, we had to counteract many external effects brought about by a complicated and often unforeseen situation in world politics as well as the European energy sector. I am confident we coped with the effects well. We achieved our key financial target of CEZ Group's net income and accomplished the key tasks resulting from our strategy focusing on operational efficiency, advanced decentralized energy, and end-use customers.

CEZ Group continued to face global trends that affect ever more strongly our opportunities and position in Europe's energy market and profoundly impact changes in electricity prices. The wholesale price of electricity fell below 21 EUR/MWh in 2016, which was its 14-year low. The reason was developments in the global prices of commodities, especially coal, and the quickly increasing efficiency of renewable generation. Generation efficiency has been increasing primarily due to massive state aid in Germany, Denmark, and other European Union countries, and due to fast technological advancements. The development of new technologies makes renewable generation cheaper while helping enhance the efficiency of decentralized energy systems. For example, the price of battery systems dropped by 20% year-on-year, which brings about unprecedented levels of competition in the implementation of decentralized solutions. The whole energy environment remains highly regulated; ironically, some regulatory measures and mid-term ambitions very often fail to benefit the energy sector or the economy as a whole. Renewable generation support, market regulation measures, and energy efficiency ambitions can only be achieved by the deadlines announced by the European Commission at huge expenses, which are very difficult to quantify and, consequently, discuss with European countries' citizens and governments today.

I believe we rose to the challenges, and I consider the year 2016 successful in the global context. First, and this is crucial, we maintained ČEZ's position in the European market. Financially, we are one of the healthiest energy companies in EU countries, and we can quickly adapt to trends—both negative and positive. We do everything to meet our shareholders' key expectations: we maximize our potential for dividend payment through efficient performance; we deal with matters related to ensuring Czechia's energy safety and self-sufficiency, including the matter of new nuclear facilities; and we also gradually implement our development strategy in order to secure future sources of dividend. Furthermore, we made considerable advancements in improving our production efficiency—I would like to highlight, for example, the completion of a comprehensive renovation of our Prunéřov brown coal-fired power plant or enhanced flexibility in hydropower deployment. We have also been growing in neighboring markets, for instance, in wind parks in Germany. I am personally very pleased by how we also manage to take up opportunities in decentralized energy. Through ČEZ ESCO, we are on the path toward becoming the leader in providing a comprehensive energy solution to both private and public entities in Czechia. Abroad, we focus on Poland, Germany, and Slovakia.

In the context of developments in the energy market, we remain one of a few stable energy companies in Europe, as confirmed by our high Standard & Poor's credit rating of A- with a stable outlook.

I would like to mention now several events that were extremely important to CEZ Group in 2016, having the potential to favorably influence its situation and stability in years to come:

- We obtained an operating license for Unit One of the Dukovany Nuclear Power Plant for an indefinite period of time. We also stabilized the situation resulting from the necessity of weld inspections, which will continue at both nuclear power plants in 2017.
- We managed to almost completely offset the decline in electricity generation in our nuclear power plants by increased generation in other generating facilities in Czechia.
- We continue to prepare projects for the construction of new nuclear units at both contemplated sites in line with the government strategy. We spun off these processes into newly established companies to suppress potential risks for CEZ Group.
- We made many important investments; we completed the comprehensive renovation of the Prunéřov Power Plant (with an installed capacity of 750 MW_e) and we made major investments in distribution networks to allow connecting not only new customers in, for example, industrial zones or newly inhabited communities.
- We made an important agreement with Sokolovská uhelná concerning a new contract for brown coal deliveries until 2025, the sale of our Tisová Power Plant to Sokolovská uhelná and both parties' commitment to take every step necessary to end all mutual lawsuits and legal proceedings.
- In renewable sources of electricity, we entered the promising German market by acquiring several wind parks with a total installed capacity of almost 100 MW.
- During the year, we offered residential end-use customers new products and services such as tailor-made heat pump installations, gas boiler replacements and inspections, rooftop photovoltaic installations, or a top-level battery system made by sonnen.
- Thanks to ČEZ ESCO's activities, we began gaining prominence in energy services and solutions for corporate customers and municipalities, specifically in the delivery of tailor-made energy systems, including financing, from cogeneration units and heat management systems to public and enterprise lighting to comprehensive EPCs to provide energy savings.

I assume that the energy market will continue to be affected by low commodity prices and persisting regulatory uncertainty in 2017. In such an environment, we will necessarily have to discuss with our shareholders which of the goals that are naturally conflicting in some aspects CEZ Group should give priority to and what the best path to meeting our shareholders' expectations will be. It remains our task to take care of the traditional energy segment, that is, our nuclear, coal-fired, and hydroelectric power plants. Stability of this segment will allow us to accelerate the development of our business in the new energy segment. This includes in particular renewables, comprehensive customer care, and above all promising, smart energy solutions, which I believe to be the future of the energy sector as a whole, as well as the future of CEZ Group.



Daniel Beneš
Chairman of the Board of Directors
and Chief Executive Officer, ČEZ, a. s.

Selected Indicators of CEZ Group

Selected Indicators of CEZ Group

	Unit	2012	2013	2014	2015	2016	2016/2015 Index (%)
Installed capacity	MW	15,761	15,166	16,038	15,920	15,620	98.1
Electricity generated (gross)	GWh	68,792	66,625	63,124	60,917	61,132	100.4
Electricity sold ¹⁾	GWh	41,829	36,511	35,139	37,933	37,475	98.8
Heat sold ¹⁾	TJ	19,089	24,633	21,276	22,256	24,022	107.9
Gas sold ¹⁾	GWh	5,894	6,108	5,417	6,840	8,180	119.6
Workforce headcount as at December 31	Persons	31,250	26,582	26,255	25,862	26,895	104.0
Operating revenues	CZK millions	211,874	216,731	201,751	210,167	203,744	96.9
Of which: Sales of electricity and related services	CZK millions	186,646	189,356	173,819	182,105	174,944	96.1
EBITDA	CZK millions	85,776	81,994	72,498	65,104	58,082	89.2
EBIT	CZK millions	57,041	45,690	36,946	28,961	26,114	90.2
Net income	CZK millions	40,135	35,207	22,432	20,547	14,575	70.9
Adjusted net income ²⁾	CZK millions	41,299	42,982	29,454	27,666	19,640	71.0
Earnings per share—basic	CZK/share	77.6	67.2	41.9	38.8	26.7	68.9
Dividend per share (gross) ³⁾	CZK/share	45.0	40.0	40.0	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	64,249	71,997	70,675	72,579	48,953	67.4
Capital expenditures (CAPEX) ⁴⁾	CZK millions	(50,176)	(43,586)	(34,412)	(31,494)	(30,165)	95.8
Financial investments ⁵⁾	CZK millions	(4,962)	(948)	(35)	–	(368)	–
Total assets	CZK millions	635,823	640,394	627,870	602,686	630,841	104.7
Of which: Property, plant, and equipment ⁶⁾	CZK millions	419,289	425,662	426,542	421,364	426,895	101.3
Equity (including noncontrolling interests)	CZK millions	253,893	262,766	265,851	272,155	261,360	96.0
Net debt	CZK millions	161,030	156,426	147,245	131,223	146,452	111.6
Return on invested capital (ROIC)	%	10.5	7.9	6.3	5.0	4.5	90.0
Return on equity, net (ROE)	%	17.4	14.1	8.6	7.8	5.4	69.5
Net debt / EBITDA	1	1.88	1.91	2.03	2.02	2.52	125.1

¹⁾ Sold to end-use customers (outside CEZ Group).

²⁾ Adjusted net income excludes extraordinary effects that are generally unrelated to ordinary financial performance in a given year (most importantly, fixed asset impairments). The definition of Adjusted Net Income was refined in Q4 2016 (see Methods Used to Calculate Indicators Unspecified in IFRS).

³⁾ Awarded in a given year to be paid out of the previous year's income.

⁴⁾ Additions to property, plant, and equipment and intangibles.

⁵⁾ Acquisitions of subsidiaries and joint ventures, net of cash acquired (in the acquisitions).

⁶⁾ Property, plant, and equipment including nuclear fuel and construction work in progress.

Credit Rating

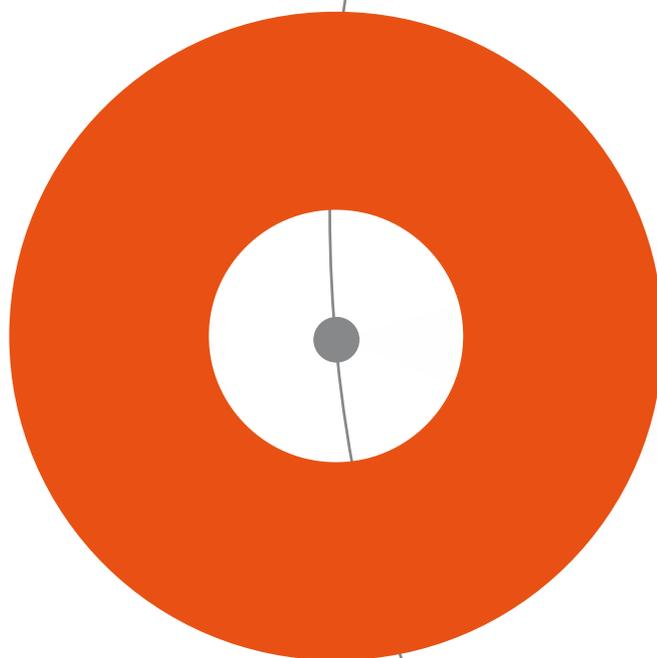
On December 15, 2016, Standard & Poor's Credit Market Services Europe Limited reaffirmed ČEZ's long-term credit rating of A– with a stable outlook, which thus remained unchanged throughout 2016.

On April 6, 2016, Moody's Investors Service Ltd. lowered ČEZ's long-term credit rating by one notch from A3 with a stable outlook to Baa1 with a stable outlook.

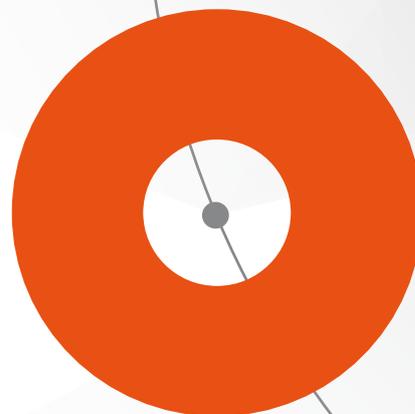
Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council. When selecting credit rating agencies, ČEZ complies with Article 8d of the above-mentioned Regulation.

ČEZ Solární

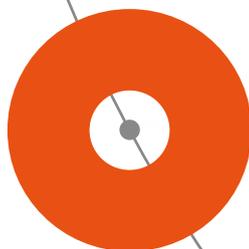
ČEZ Solární, a member of the ČEZ ESCO group, provides comprehensive services for solar parks installation and maintenance.



**Installed on free-range
capacity: 24.5 MWp**



**Certified
technical
assistance**



**Monitoring
video wall—immediate
function checks**

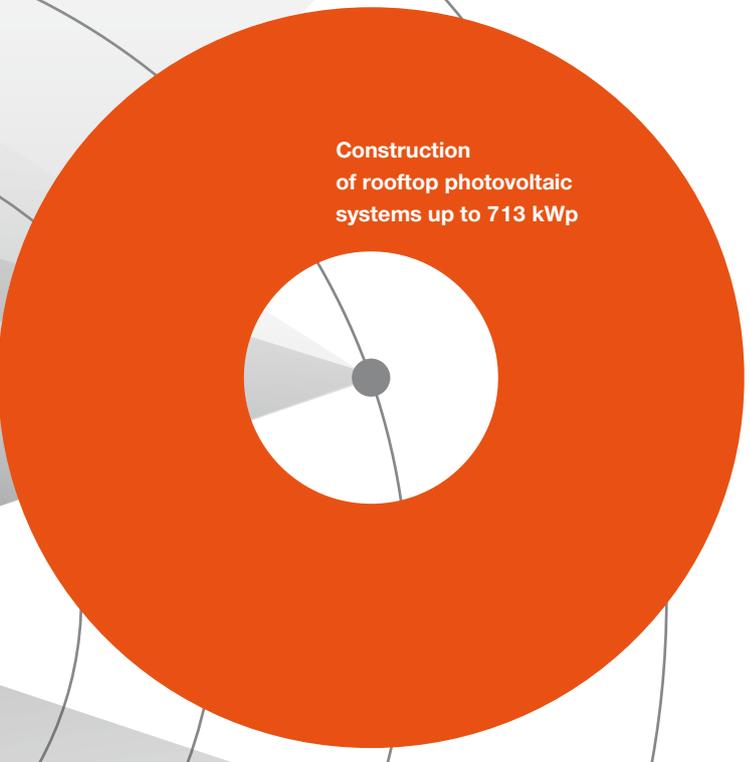
ČEZ Solární services photovoltaic power plants built or acquired with a total capacity of almost 60 MWp.

Rooftop photovoltaic systems have been increasingly popular in recent years, and ČEZ Solární delivers them as turnkey projects. The number of installed systems has been growing steeply. Their benefits for the user include not only environmental friendliness in electricity generation but especially independence of grid supplies and protection against a feared blackout (grid collapse). Rooftop photovoltaic systems can turn many buildings into facilities with almost zero need for external electricity supply.

Photovoltaic system owners can rest assured that their system is in good hands—the monitoring center's equipment includes a video wall that allows checking the function of all connected solar systems immediately. The response time is ten minutes, so losses in generation are almost zero for the photovoltaic system owner.



**Technical service
up to 60 MWp**



**Construction
of rooftop photovoltaic
systems up to 713 kWp**



**Preparation of hydro
power plants projects**

Shares

The shares of 5 companies within the CEZ Group are publicly traded.

1. ČEZ, a. s.

As at December 31, 2016, ČEZ's stated capital totaled CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100.

The shares are traded on markets in Czechia and Poland—see the following table for details.

Share

Security	ISIN	Issue Date	Volume	Issued as	Form	Nominal Value	Market	Traded Since
Registered share	CZ0005112300	Feb 15, 1999	CZK 53.8 billion	Dematerialized	Bearer	CZK 100	PSE	Jun 22, 1993
							PSE Prime Market	Jan 25, 1994
							RM-System	Feb 23, 1999
							WSE	Oct 25, 2006

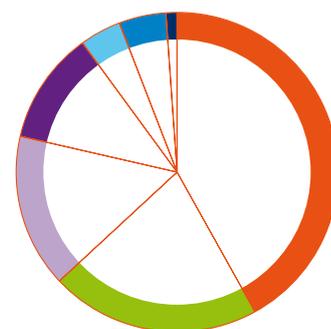
Structure of Shareholders—by Entity Type (%)

	Share in		Share in	
	Stated Capital	Voting Rights	Stated Capital	Voting Rights
	As at Dec 31, 2015		As at Dec 31, 2016	
Legal entities, total	91.22	91.16	90.23	90.16
Of which: Czech Republic	69.78	70.27	69.78	70.27
ČEZ, a. s.	0.70	–	0.70	–
Other legal entities	20.74	20.89	19.75	19.89
Private individuals, total	8.78	8.84	9.77	9.84

Source: Centrální depozitář cenných papírů, a.s. (Central Securities Depository).

Structure of Identified Institutional Shareholders—by Geography

	%
North America	42.1
Continental Europe (other than Czechia and Poland)	21.0
Poland	15.6
United Kingdom and Ireland	11.4
Asia, Australia, and Africa	4.2
Czechia	4.8
Middle East	0.9
Total	100.0



Explanation of Methodology

The data in the table are based on a questionnaire survey conducted by Ipreo among institutional investors and managers of securities. The survey managed to identify the holders of 84% of shares held by institutional investors. The figures in the table represent percentages of the total number of identified institutional shareholders. Shares owned by the Czech Republic, treasury shares, and shares held by individuals are not included in the results.

ČEZ, a. s. Share Prices in 2016 (in CZK)



Stock-Related Indicators

	Unit	2015	2016	2016/2015 Index (%)
Net income per share—basic (EPS) ¹⁾	CZK/share	38.8	26.7	68.8
Dividend per share (gross) ²⁾ (DPS)	CZK/share	40.0	40.0	100.0
Dividends awarded	CZK billions	21.4	21.4	100.0
Share price—year's high	CZK	658.0	470.9	71.6
Share price—year's low	CZK	410.7	364.1	88.7
Share price—at year end (December 31)	CZK	444.3	430.0	96.8
ČEZ stock trading volume on the PSE	CZK billions	60.7	51.9	85.4
ČEZ stock as percentage of overall PSE trading volume	%	35.2	30.7	87.1
Number of registered shares (as at December 31)	Thousands	537,990	537,990	100.0
Number of treasury shares (as at December 31)	Thousands	3,755	3,755	100.0
Number of shares in circulation (as at December 31)	Thousands	534,235	534,235	100.0
Price to earnings ratio (P/E)	1	11.4	16.1	140.7
Book value per share (BVPS)	CZK	501.5	480.7	95.9
Price to book value ratio (P/BV)	%	88.6	89.5	101.0
Total shareholder return (TSR)	%	(18.0)	5.8	x
Market capitalization (as at December 31)	CZK billions	237.4	229.7	96.8

¹⁾ Consolidated net income per share attributable to equity holders of the parent.

²⁾ Dividend before tax.

Dividend Payments to Shareholders and Dividend Policy

The Shareholders' Meeting held on June 3, 2016 decided to pay company shareholders a dividend for 2015 in the amount of CZK 40 per share before tax. Entities that were ČEZ shareholders on the record date, i.e., June 9, 2016, are entitled to the dividend. The dividend becomes payable on August 1, 2016 and can be claimed until July 31, 2020. The number of shares for which the dividend is paid was 534,234,738 as at June 9, 2016.

The share of 2015 profits awarded to ČEZ shareholders is CZK 21,519,590 thousand in total, of which CZK 21,369,390 thousand is to be paid out, representing 77.2% of consolidated adjusted net income and 104.0% of consolidated net income. The dividend on treasury shares held by the Company at the record date, i.e., the difference between the amounts above, is included in retained earnings.

From 2015, ČEZ, a. s. applied a dividend policy that anticipated paying out 60–80% of consolidated net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year. In 2017, the payout ratio was temporarily increased to 60–100% of consolidated adjusted net income until the Company's development strategy is refined.

ČEZ's Relations With Shareholders and Investors

ČEZ has long been building relations with shareholders and other capital market participants by means of open and regular communication. It publishes quarterly communications on its financial performance and fulfillment of CEZ Group's strategic goals on dates that are announced in advance. It also informs of material new facts that might affect the share price on an ad hoc basis. In accordance with good practice, it also maintains an active dialog with capital market participants through personal meetings with analysts and representatives of institutional investors both at the corporate headquarters and in major financial centers and during conferences.

2. ČEZ OZ uzavřený investiční fond a.s.

The company's shares were admitted to trading on the Prague Stock Exchange's regulated market with effect from December 31, 2015. Their ISIN is CZ0008041787. An issue of 5,310,498 shares, i.e., 15% of the total number of the company's shares, previously held by ČEZ, was admitted to trading. At the date of admission to trading, ČEZ, a. s. held a 99.596% share in the company; the other shareholders were ČEZ Obnovitelné zdroje with a 0.386% share and ČEZ Korporátní služby with a 0.018% share in the company's capital. There was no change in the structure of shareholders in 2016.

3. Akenerji Elektrik Üretim A.S.

The company's shares are traded freely on the stock exchange. A portion of the shares representing a 25.3% share in the company's capital has been traded on the Istanbul stock exchange since July 3, 2000. Their ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ held a 37.4% share in the company's capital as at December 31, 2016.

4. CEZ Elektro Bulgaria AD

The company's shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100024113. The shares are not traded on any other public markets. As at December 31, 2016, ČEZ held a 67% share and the second largest shareholder, the Chimimport group, held a 26.7% share in the company's capital.

5. CEZ Razpredelenie Bulgaria AD

The company's shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100025110. The shares are not traded on any other public markets. As at December 31, 2016, ČEZ held a 67% share and the second largest shareholder, the Doverie group, held a 11.96% share in the company's capital.

Selected Events

Selected Events of 2016

February

- Standard & Poor's credit rating of ČEZ was reaffirmed at A- including a stable outlook.
- CEZ Group became a partner of Rockstart, a Dutch startup accelerator, where it will become a minority stakeholder in three portfolios with a total of 30 innovative companies under the Smart Energy program in 2016 to 2018; supported projects aim at innovations intended to make more efficient use of energies.

March

- An operating license for an indefinite period of time was received for Unit 1 of the Dukovany Nuclear Power Plant; the validity of the license is conditional on meeting a number of operating conditions.
- ČEZ Energy Services Forum was organized for the first time, presenting the ČEZ ESCO group's objectives and products to three hundred corporate, municipal, and institutional customers.

April

- A new product line for electricity, ČEZ ELE WITH REWARD, was introduced, offering customers a 20% discount off the basic price list for entering into a three-year contract.
- Systemic measures were adopted as a follow-up to internal investigation into issues associated with insufficient checks of welded joints at nuclear power plants.
- A stake was acquired in tado GmbH, a Bavarian technology company developing smart temperature controllers for homes.

May

- CEZ ESCO Polska was established to offer the Polish market comprehensive services in efficient and thrifty energy management.

June

- The 24th annual Shareholders' Meeting was held, which approved, among other things, a gross dividend of CZK 40 per share and the spin-off of a part of the enterprise into separate organizational units, "Elektrárna Dukovany II" (Dukovany Power Plant II) and "Elektrárna Temelín II" (Temelín Power Plant II).
- The individual notification of support for renewable electricity generation at the Fântânele Vest and Cogeaalac wind parks in Romania was approved by the European Commission.

July

- The comprehensive renovation of the Prunéřov II Power Plant was completed (the last of the three units was accepted for service).
- Documents needed to launch the process of comprehensive Environmental Impact Assessment (EIA) of the planned construction of new units at the Dukovany Nuclear Power Plant were delivered to the Ministry of the Environment of the Czech Republic (MoE).
- A request for arbitration against Bulgaria was filed, whereby ČEZ officially commenced international investment arbitration for the non-protection of ČEZ's investment in Bulgaria under the Energy Charter Treaty.
- Another regular installment of EUR 21.1 million (about CZK 570 million) was received from the Albanian government under the Settlement Agreement with Albania; ČEZ has already received EUR 52.8 million out of the total of EUR 95 million.

August

- The State Office for Nuclear Safety (SÚJB) issued a decision extending the existing operating license for Dukovany Nuclear Power Plant Unit 2 (originally valid until December 31, 2016) until July 10, 2017.

September

- The Romanian regulatory authority, ANRE, issued final accreditation for the Fântânele Vest and Cogeaalac wind parks.
- ČEZ ESCO completed its acquisition of AZ KLIMA, the Czech market leader in HVAC and cooling technology for buildings.

October

- An agreement was made between ČEZ and Sokolovská uhelná, resulting in a new contract for deliveries of Sokolov brown coal and an agreement on the settlement of long-time trade disputes; in addition, a new sales contract was made for the delivery of Sokolov brown coal until 2025, the Tisová Power Plant was sold to Sokolovská uhelná, and both parties committed to take every step necessary to end all ongoing lawsuits and legal proceedings.
- ČEZ Distribuce was the first distribution system operator in Czechia to commence full operation of an Enterprise Service Bus (ESB) enabling direct communication between distributor and trader systems; it can be used by traders to handle their customers' requests in collaboration with the distributor, for example, to make contracts for facility connection to the distribution system.

November

- An action was brought against ŠKODA JS on account of a claim for damages of CZK 611 million in the case of nuclear power plant welds.
- CEZ Group presented a plan for building more than 40 public fast-charging stations for electric vehicles, aided by a grant under the EU's Connecting Europe Facility program.
- The court of first instance decided on payment for electricity contracted but not purchased by SŽDC, a state-owned organization, in 2011, worth CZK 1.2 billion (including interest).
- Slovnaft Heating Plant was sold, whereby CEZ Group terminated its generation operations in Slovakia.
- CEZ Group customer services were divided; ČEZ Distribuce customers are now served by the company's employees.

December

- Entry into the German market in renewable generation by taking over the operations of wpd (85.25 MW) and Fohren-Linden (12.8 MW) wind parks.

Selected Events of 2017 Until the Annual Report Closing Date

January

- An application for a renewed operating license for Unit 2 of the Dukovany Nuclear Power Plant after July 10, 2017 was filed with the State Office for Nuclear Safety.
- Tisová Power Plant shares were transferred from ČEZ to Sokolovská uhelná in accordance with the October 2016 agreement.
- CEZ Distributie was rebranded as at January 3, 2017; it now operates as Distributie Energie Oltenia S.A. with a new Distributie Oltenia logo.

February

- A decision on the sale of residential property in Písnice and Vršovice and a shopping mall in Písnice was made.
- A decision on a substantial change in the Company's organizational structure was made, namely to merge the New Energy division and the External Relations and Regulation division into a newly established division named Renewable Energy and Distribution, with effect from March 1, 2017. In connection with this, the member of the Board of Directors responsible for the external relations and regulation agenda and for the distribution segment was removed from the Board of Directors.

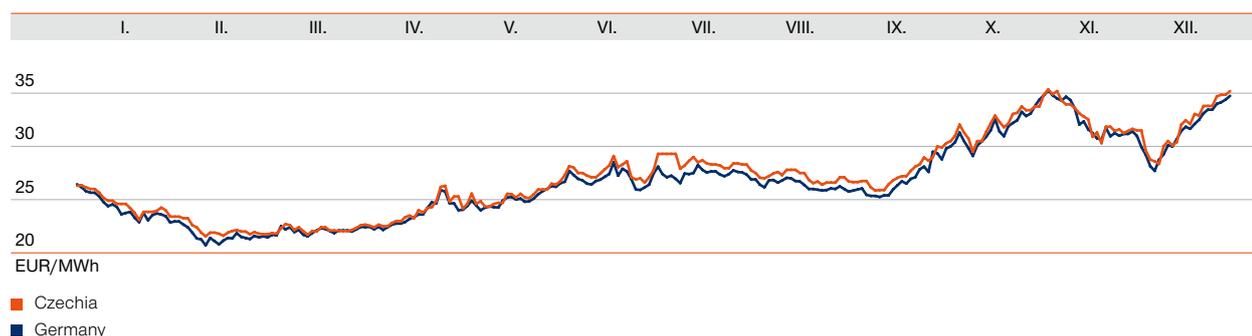
Developments in Relevant Energy Markets

Commodity Prices, Year-on-Year Comparison

	Unit	December 31, 2015	December 31, 2016	2016/2015 Price Change (%)
Electricity price in Czechia (2017 baseload)	EUR/MWh	26.3	35.2	33.8
Electricity price in Germany (2017 baseload)	EUR/MWh	26.5	34.8	31.4
Coal price	USD/t	44.3	70.3	58.6
Gas price (NCG)	EUR/MWh	15.5	18.0	16.4
Oil price	USD/barrel	48.4	58.4	20.6
Emission allowance price (EEX)	EUR/t	8.2	6.6	(20.2)

Electricity

Electricity Prices (2017 Year Band)



Electricity prices in the Central European market are substantially affected by changes in the prices of global commodities that determine the variable costs of electricity generation. The price of electricity is affected the most by the price of coal as well as the price of emission allowances, and to a lesser degree by the price of gas. Electricity prices are also affected by changes in demand for electricity and changes in generation capacity supply, reflecting technological advancement and regulatory conditions in Europe. In this regard, a continued growth in the installed capacity of renewable energy sources was crucial in 2016.

At the beginning of 2016, electricity prices in Germany slumped to a 14-year low under 21 EUR/MWh, due to changes in global coal prices and a steep fall in the prices of emission allowances. However, in the following months the prices of electricity were affected, among other things, by rising hard coal prices on the world markets and forced outages at France's nuclear power plants in the fall which resulted in a gradual growth up to 35 EUR/MWh in November.

Coal, Crude Oil, and Natural Gas

Coal, Crude Oil, and Natural Gas Prices (2017 Forward Contracts)



Unlike 2015, the year 2016 was characterized by a big rise in hard coal prices. The prices bounced back from many-year lows of about 38 USD/t, which they reached in January and February 2016 and grew gradually up to 78 USD/t. The growth is attributed primarily to an administrative restriction for Chinese miners, which was introduced in April 2016, and limited extraction due to heavy rains in Indonesia. The restriction reduced the number of workdays to 276 and resulted in a significant growth in the amount of coal China had to import. The Chinese government relaxed the restriction to 330 days in November and coal prices adjusted to about 65–70 USD/t.

An upturn in oil and gas prices could also be seen during the year. Gas grew by more than 16%, crude oil by more than 20%. The prices of gas rose significantly less than the prices of coal during 2016, which resulted in improved competitiveness and higher utilization of gas-fired power plants over previous years.

Emission Allowances

Emission Allowances Prices (2017 Forward Contracts)



The beginning of 2016 was characterized by a steep fall in emission allowance prices, from about 8 EUR/t to 5 EUR/t in mid-February. The following months lacked a clear trend and emission allowances were trading in a range of 4–6 EUR/t depending on preliminary reports on the debate over an amendment to the EU ETS directive in the European Parliament, which is to set rules applicable after 2020. Emission allowances closed the year 2016 at 6.6 EUR/t, which was a year-on-year drop of 20%.

LOMY MOŘINA

LOMY MOŘINA quarries and processes chemical limestones and aggregates usable as building materials.

Tušimice II—supplied by Mořina unit

Annual supplies of chemical limestone for ČEZ's power plants exceeded 600,000 tons in recent years

Prunéřov I—supplied by Tetín unit

Holý Vrch unit

The history of limestone quarrying in the Barrandium area, to which the company's quarries belong, goes back to the times of John of Bohemia and Charles IV. However, industrial limestone quarrying only started in 1890.

At that time, laborers worked only manually and had to buy the necessary tools from their employer. Over the course of a century, exploitation shifted from manual drilling to advanced technology that can currently process up to 400 tons of stone per hour. All quarrying and processing machinery is fitted with noise and dust reducing devices. Consideration for its neighbors is one of LOMY MOŘINA's priorities.

LOMY MOŘINA operations are carried out by three business units: Mořina, Holý Vrch, and Tetín.

The company cooperates with the Bohemian Karst Protected Landscape Area Administration in the protection of bats. Considerate decommissioning of old pits helps preserve and develop protected species' habitats in the area.



Pruněřov II—supplied by Mořina unit

Ledvice—supplied by Tetín unit

Governing Bodies of ČEZ, a. s.

Standalone Section of the Annual Report Pursuant to Section 118(4)(j) of Act No. 256/2004 Sb.

ČEZ, a. s. is a joint-stock company that was incorporated in the Commercial Register on May 6, 1992. Its core businesses are electricity generation, distribution, and trading; heat generation and distribution; gas trading; and related activities. The Company is headquartered in Prague, Czechia at Duhová 2/1444, 140 53 Praha 4. The Company's website is located at www.cez.cz. The Company is subject to Act No. 90/2012 Sb., on Commercial Companies and Cooperatives (Business Corporations Act) as a whole.

In 2016 the Company had the following governing bodies:

- Shareholders' Meeting
- Supervisory Board
- Audit Committee
- Board of Directors

Shareholders' Meeting

The Company's supreme governing body is the Shareholders' Meeting, the regular sessions of which are held at least once in each accounting period, no later than six months after the last day of the previous accounting period.

The exclusive powers of the Shareholders' Meeting include, in particular, the following:

- Making decisions on amendments to the Company's bylaws
- Making decisions on changes to the Company's capital and on issues of convertible or priority bonds
- Electing and removing members of the Supervisory Board, approving contracts on service on the Supervisory Board and amendments thereto
- Approving regular or extraordinary financial statements, consolidated financial statements, as well as interim financial statements, if required by law; making decisions on the distribution of profits or other own resources or the settlement of a loss
- Making decisions on the provision of consideration within the meaning of Section 61 of the Business Corporations Act to members of the Supervisory Board and members of the Audit Committee
- Making decisions on filing an application for admission or withdrawal of the Company's shares and securities to or from trading on a European regulated market

- Making a decision on Company dissolution with liquidation, appointing and removing a receiver, approving a proposal for the distribution of the liquidation balance
- Approving the assignment, pledge, or lease of an enterprise or such a part thereof that would result in a substantial change to the enterprise structure or a substantial change to the Company's scope of business or activities
- Approving a subordination agreement, a profit transfer agreement, or a silent partnership agreement, including approval of amendments thereto and termination thereof
- Making decisions on the amount of funds that the Company may use for sponsorship donations over a defined period
- Making decisions on changes to the class or form of shares and on changes in rights associated with a certain class of shares
- Excluding or restricting preferential rights to acquire convertible and/or priority bonds and to subscribe new shares
- Making decisions on stock mergers
- Making decisions on the Company's business policy and changes thereto
- Discussing the Board of Directors' Report on the Company's Business Activities and Assets
- Making decisions on the appointment of an auditor to conduct the statutory audit
- Electing and removing members of the Audit Committee and approving contracts on service on the Audit Committee

Attendance at Shareholders' Meeting

The Shareholders' Meeting may be attended by any person that is registered as a shareholder, shareholder's proxy, administrator, or person entitled to execute rights associated with a share in the statutory register of investment instruments (Central Securities Depository) on the record date. The record date for attendance at the Shareholders' Meeting is the seventh day preceding the date on which the Shareholders' Meeting is held. Furthermore, the Shareholders' Meeting is attended by members of the Board of Directors, the Supervisory Board, and the Audit Committee. The Shareholders' Meeting may also be attended by individuals that can reasonably give their opinion on items on the Shareholders' Meeting agenda, such as the Company's auditors or advisers, and individuals that make arrangements for the Shareholders' Meeting.

Procedure at Shareholders' Meeting

The chairman of the Shareholders' Meeting must make sure that all proposals, counterproposals, and requests for explanation put forward by shareholders are brought to the floor provided that they relate to an agenda item and the shareholder in question so insists. A shareholder may request and shall receive at the Shareholders' Meeting an explanation of matters related to the Company or entities controlled by the Company if such an explanation is needed for reviewing the contents of items on the Shareholders' Meeting agenda or for exercising the shareholder's rights at the Shareholders' Meeting, unless no answer need be given under the law. Explanations may be provided as a summary response to multiple questions with similar contents. Explanations of matters related to the current Shareholders' Meeting are provided by the Company to a shareholder right at the Shareholders' Meeting. If that is not possible due to the complexity of the explanation, the Company will provide the explanation to the shareholder within 15 days of the date on which the Shareholders' Meeting is held.

Decision Making at Shareholders' Meeting

The Shareholders' Meeting constitutes a quorum if the present shareholders hold shares whose cumulative face value exceeds 30% of the Company's stated capital.

The Shareholders' Meeting makes decisions by a simple majority of the votes of the shareholders present, unless a different majority is required by law or the Company's bylaws. Each Company share with a face value of CZK 100 carries one vote. In addition to other cases required by law, a majority of at least two-thirds of the votes of the shareholders present is required for the Shareholders' Meeting to make decisions on

- An amendment to the Company's bylaws or a decision resulting in an amendment thereto
- Authorization for the Board of Directors to increase the Company's capital
- Possibility to set off a pecuniary claim payable by the Company against a claim for payment of the issue price
- Issuance of convertible bonds and priority bonds
- Company dissolution with liquidation and distribution of the liquidation balance
- Approving the assignment, pledge, or lease of an enterprise or such a part thereof that would result in a substantial change to the enterprise structure or a substantial change to the Company's scope of business or activities

In addition to other cases required by law, a majority of at least three-quarters of the votes of the shareholders present is required for the Shareholders' Meeting to make decisions on

- Excluding or restricting preferential rights to acquire convertible and/or priority bonds
- Allowing allocation of earnings to persons other than shareholders in compliance with law and the Company's bylaws
- Excluding or restricting a shareholder's preferential right in an increase of the Company's capital by subscribing new stock
- Approving a subordination agreement or a change thereto
- Approving an agreement on the distribution of profits or a change thereto
- Increasing the Company's stated capital through noncash consideration

Shareholders' Meeting decisions to change the class or form of shares, to change the rights associated with a certain class of shares, to restrict transferability of shares, or to withdraw shares from trading on a European regulated market require approval by at least three-quarters of votes of the present shareholders holding such shares. Additionally, Shareholders' Meeting decisions on stock mergers require approval by all shareholders whose shares are to be merged.

The minutes of the Shareholders' Meeting together with Shareholders' Meeting announcements and attendance lists, including submitted powers of attorney, are kept in the Company archives for the duration of the Company.

Shareholders' Meeting in 2016

The 24th annual Shareholders' Meeting of ČEZ, a. s. was held on June 3, 2016. Among other things, the Shareholders' Meeting

- Heard the Board of Directors' Report on the Company's Business Activities and Assets for 2015, the Summary Report pursuant to Section 118(8) of the Capital Market Undertakings Act, conclusions from the Related Parties Report for 2015, the Supervisory Board's Report, and the Audit Committee's Report on the Results of Its Activities
- Approved the financial statements of ČEZ, a. s. and consolidated financial statements for the year 2015
- Approved the distribution of the Company's 2015 profit of CZK 28,114,851 thousand as follows:
 - Share in profits awarded to shareholders ("dividend") CZK 21,519,590 thousand
 - Transfer to the retained earnings account CZK 6,595,261 thousand
 - The record date for entitlement to the dividend is June 9, 2016; the dividend of CZK 40 per share becomes payable on August 1, 2016; the dividend can be claimed until July 31, 2020
- Appointed Ernst & Young Audit, s.r.o as the auditor to perform the statutory audit for the accounting period of the calendar year of 2016
- Approved the 2017 donation budget at CZK 145 million and the making of a noncash donation with a total value of CZK 2.1 million in 2016
- Confirmed Petr Polák as a member of the Supervisory Board
- Removed Petr Blažek, Jan Sixta, Jiří Tyc, and Lukáš Wagenknecht from the Supervisory Board
- Elected Vladimír Kohout, Ondřej Landa, František Vágner, and Šárka Vinklerová as members of the Supervisory Board
- Elected Jitka Čermáková, Vladimír Hronek, Lubomír Klosik, and Josef Suchánek, candidates proposed from among employees of ČEZ, a. s., as members of the Supervisory Board with effect from April 12, 2017
- Removed Lukáš Wagenknecht from the Audit Committee
- Elected Otakar Hora as a member of the Audit Committee
- Approved contracts of service on the Supervisory Board made with Petr Blažek, Petr Polák, and Jan Sixta
- Approved contracts of service on the Audit Committee made with Ivan Pilip and Jan Vaněček
- Granted consent to the contribution of the Temelín NNPP part of the enterprise of ČEZ, a. s. to the stated capital of Elektrárna Temelín II, a. s. and consent to the contribution of the Dukovany NNPP part of the enterprise of ČEZ, a. s. to the stated capital of Elektrárna Dukovany II, a. s.

No legal action was brought against the Shareholders' Meeting resolutions by shareholders within the statutory time limit.

Supervisory Board

Position and Powers of the Supervisory Board

The Supervisory Board is the Company's control body supervising the exercising of the powers of the Board of Directors and the Company's activities. It presents the results of its activities to the Shareholders' Meeting.

In addition to other matters specified by law or the Company's bylaws, the Supervisory Board is competent in particular to

- Check compliance with generally binding legal regulations, the Company's bylaws and Shareholders' Meeting resolutions
- Check how the Board of Directors executes ownership rights in legal entities that the Company has an ownership interest in
- Review regular, extraordinary, consolidated, and, where applicable, also interim financial statements, proposals for the distribution of profits or loss settlement, and the Related Parties Report, and present its comments to the Shareholders' Meeting
- Discuss quarterly financial results, half-year and annual reports and, where applicable, other reports pursuant to the Capital Market Undertakings Act, and annual reports pursuant to the Accounting Act
- Propose to the Shareholders' Meeting an auditor to conduct the statutory audit, taking account of the Audit Committee's recommendation; if it proposes an auditor other than the one recommended by the Audit Committee, it must duly justify such a proposal to the Shareholders' Meeting
- Present its comments, recommendations, and proposals to the Shareholders' Meeting and the Board of Directors
- Elect and remove members of the Board of Directors
- Approve contracts on service on the Board of Directors and consideration for members of the Board of Directors
- Decide on the defining and evaluation of individual assignments for managers that are also members of the Board of Directors

The Supervisory Board grants the Board of Directors prior consent for the implementation of certain decisions. These include, in particular, decisions regarding

- Acquisition, alienation, pledging, or lease of immovable and/or movable property (except for inventories and securities held for liquidity-management purposes) that are to be, or are, included in the Company's assets and whose book value exceeds CZK 500 million
- Company capital projects with a value exceeding CZK 500 million
- Operations with the Company's ownership interests in other legal entities in certain cases, for example, if the value of the interest exceeds CZK 500 million
- Transfers and pledging of treasury stock
- Staffing of the supervisory boards of companies in whose capital ČEZ, a. s. has an interest in excess of CZK 500 million or companies for which the Supervisory Board has reserved prior consent
- The draft contract with the auditor appointed by the Shareholders' Meeting to conduct the statutory audit
- Alienation of real property if the market or appraisal price of the real property exceeds CZK 100 million
- Granting of a loan (credit) to a third party or the acceptance of any company guaranty for a third-party debt that in each individual case exceeds CZK 200 million
- Acceptance of a long-term loan (credit) from a third party for a period of more than 1 year and other similar long-term financial operations (except hedging operations) in excess of CZK 500 million
- Issue of bonds other than those for which the consent of the Shareholders' Meeting is required
- Granting of Company stock options
- Conclusion of a contract under which ČEZ, a. s. is to acquire or alienate assets whose value during one accounting period exceeds one-third of its equity as shown by the latest consolidated financial statements
- Enabling the conduct of due diligence (legal, financial, technical, and/or environmental audit) of ČEZ or any of its organizational units
- Conclusion of management contracts with division directors that are not members of the Board of Directors and appointment of the Chief Executive Officer
- Defining and evaluation of individual assignments for division directors that are not members of the Board of Directors
- Distribution of tender specifications to tenderers for public contracts pursuant to the Public Procurement Act if the anticipated value of the contract is greater than one-third of the Company's equity as shown by the last consolidated financial statements

Composition and Activities of the Supervisory Board

The Supervisory Board has 12 members. All members are elected and removed by the Shareholders' Meeting. The Supervisory Board elects and removes its Chairman and two Vice-Chairmen. The term of office of members of the Supervisory Board is four years and the members may be reelected. If the number of members of the Supervisory Board has not dropped by more than half, the Supervisory Board may appoint substitute members until the next Shareholders' Meeting. The term of office of a substitute Supervisory Board member is included in the total term of office of the member of the Supervisory Board.

The business address of members of the Supervisory Board is the Company's registered office address: Duhová 2/1444, 140 53 Praha 4.

Decision Making in the Supervisory Board

The Supervisory Board constitutes a quorum if a majority of all its members (that is, at least 7 members) is present. Voting is by show of hands unless otherwise provided. The Supervisory Board makes decisions by a majority of the votes of all its members unless the Company's bylaws stipulate otherwise. Each member has one vote when making decisions. The Supervisory Board's meetings are governed by its Rules of Procedure, which it adopts and amends by a two-thirds vote of all its members.

Supervisory Board meetings are held usually once a month. The Chairman of the Supervisory Board must always call a Supervisory Board meeting if a Supervisory Board member or the Board of Directors requests so or if shareholders defined in Section 365 of the Business Corporations Act request that the performance of the Board of Directors is to be reviewed pursuant to Section 370 of the Business Corporations Act. Such a request must be in writing and must include an urgent reason for convening the meeting.

A record is made of the course of each Supervisory Board meeting and the resolutions adopted. The record lists the names of the members of the Supervisory Board who voted against each decision or abstained from voting; unlisted members are deemed to have voted in favor of the decision. In necessary cases that allow no delay, it is possible to take a vote outside a meeting (by letter) in written form or using technical means. In such a case, the resolution is adopted if at least two-thirds of all members took part in the vote and a majority of all members voted in favor of the resolution.

The Supervisory Board may invite members of the Company's other bodies, Company employees, and/or other persons to its meetings at its discretion. In 2016, 14 meetings were held: 11 regular meetings and 3 special meetings.

Members of the Supervisory Board

Václav Pačes

Chairman of the Supervisory Board since June 27, 2014

Vice-Chairman of the Supervisory Board

from May 29, 2013 to June 26, 2014

Member of the Supervisory Board since March 20, 2013

Appointed a substitute member for the period until the next Shareholders' Meeting by the Supervisory Board with effect from March 21, 2017

and reelected Chairman of the Supervisory Board

with effect from March 21, 2017

A professor of biochemistry and a graduate of the Faculty of Natural Sciences, Charles University, Prague, Professor Pačes defended his dissertation at the Institute of Organic Chemistry and Biochemistry of the Czechoslovak Academy of Sciences. He gained managerial and professional experience in such positions as President of the Academy of Sciences of the Czech Republic, Director of the Institute of Molecular Genetics of the Academy of Sciences of the Czech Republic, and Chairman of the government-appointed Independent Energy Commission.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- NADACE HANUŠE GOLDSCHIEDERA PRO ČESKÝ GOLF (HANUŠ GOLDSCHIEDER FOUNDATION FOR CZECH GOLF)—member of the Board of Trustees since June 1, 2011, reelected as at June 1, 2015 (four-year term)
- Vysoká škola ekonomická v Praze (University of Economics, Prague)—member of the Board of Trustees since March 1, 2012 (six-year term)
- STAR Research & Innovation Cluster, z. ú.—member of the Board of Trustees since June 1, 2015 (four-year term)
- Česká společnost pro biochemii a molekulární biologii, z.s. (Czech Society for Biochemistry and Molecular Biology)—member and Chairman since 1990
- Federace evropských biochemických společností (Federation of European Biochemical Societies)—Secretary General since January 1, 2017

Vladimír Hronek

Vice-Chairman of the Supervisory Board since March 20, 2013

Reelected on February 27, 2015

Member of the Supervisory Board elected by employees since September 30, 2010

Last reelected by the Shareholders' Meeting on employees' proposal on June 3, 2016 with effect from April 12, 2017 (term expires on June 30, 2021)

A graduate of the Industrial School of Electrical Engineering, Prague. He gained professional experience in such positions as member and Vice-Chairman of the CEZ Group European Works Council.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- Evropská rada zaměstnanců Skupiny ČEZ (CEZ Group European Works Council)—Vice-Chairman in 2011–2015, member in 2007–2015

Ondřej Landa

Vice-Chairman of the Supervisory Board since June 23, 2016

Member of the Supervisory Board since June 3, 2016

A graduate of the Faculty of Law, Masaryk University, Brno.

He gained professional experience in such positions as lawyer and Director of Litigation and Difficult Cases at Československá obchodní banka, a. s. and Deputy Minister managing the Legal Section of the Ministry of Finance of the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- IP Exit, a.s., in bankruptcy—Vice-Chairman and member of the Supervisory Board since June 9, 2010
- Český Aeroholding, a.s.—Vice-Chairman of the Supervisory Board since September 5, 2016; member of the Supervisory Board since June 29, 2016 (five-year term)

Zdeněk Černý

Member of the Supervisory Board since June 27, 2014

A graduate of the Faculty of Law, Charles University, Prague, and a Commercial Law MBA program, Ústav práva a právní vědy, o.p.s., Prague.

He gained managerial and professional experience in such positions as member of the Supervisory Board of UNIPETROL, a.s.; member and Chairman of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s.; Chairman of the ECHO Labor Union; and member of the Supervisory Board of CEZ Group's ČEZ Energetické služby, s.r.o.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- UNIPETROL, a.s.—member of the Supervisory Board since January 29, 1999, last reelected on July 1, 2016 (three-year term)
- ČESKÁ RAFINÉRSKÁ, a.s.—Chairman and member of the Supervisory Board in 2011–2016

Vladimír Kohout

Member of the Supervisory Board since June 3, 2016

A graduate of the Brno University of Technology, Faculty of Electrical Engineering.

He gained managerial and professional experience in such positions as Technology and Investment Director at Teplárny Brno, a.s.; Economic Director and Vice-Chairman of the Board of Directors of Energetické strojírný Brno, a.s.; and Chairman of the Board of Trustees and Statutory Director of Moravská energetická a.s. In CEZ Group he has worked as a heating plant technology operations manager; electrical operations manager; and director of the Brno branch of ČEZ – Jihomoravské elektrárny Brno, k.p., Brno.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- ESB Elektro, a.s.—Chairman of the Board of Directors since June 15, 2011; reelected on May 26, 2016 (five-year term)
- ESB Rozvaděče, a.s.—member of the Board of Directors since October 8, 2007; reelected on May 22, 2014 (five-year term)
- Moravská energetická a.s.—Chairman of the Board of Trustees since July 22, 2014 (five-year term) and Statutory Director since July 22, 2014
- Energetické strojírný Brno, a.s.—Vice-Chairman and member of the Board of Directors in 2002–2015
- ESB Montáže, a.s.—Vice-Chairman of the Board of Directors in 2008–2014
- Moravská energetická a.s.—Chairman of the Board of Directors in 2009–2014

Radek Mucha

Member of the Supervisory Board

elected by employees since April 11, 2013

(term expires April 11, 2017)

A graduate of the Industrial School of Electrical Engineering, Mohelnice.

He gained professional experience in such positions as Occupational Safety and Health Coordinator at ČEZ, a. s. and member of the CEZ Group European Works Council.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- Evropská rada zaměstnanců Skupiny ČEZ (CEZ Group European Works Council)—Council member in 2008–2013

Jiří Novotný

Member of the Supervisory Board

elected by employees since April 11, 2013

(term expires April 11, 2017)

A graduate of the Industrial School of Mechanical Engineering in Loket u Sokolova.

He gained professional experience in such positions as equipment care and maintenance control process engineer at Chemické závody Sokolov, státní podnik and unit operator, maintenance foreman, and process engineer at ČEZ, a. s., as well as member of the CEZ Group European Works Council.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- Odborový svaz energetiků a horníků (Labor Union of Power Industry and Mining Employees)—member of the Steering Committee since June 28, 2006, last reelected on February 24, 2016 (four-year term)
- Evropská rada zaměstnanců Skupiny ČEZ (CEZ Group European Works Council)—Council member in 2011–2015

Petr Polák

Member of the Supervisory Board since February 25, 2016

A graduate of Nottingham Trent University (B.I.B.S.), United Kingdom—Senior Executive MBA.

He gained managerial and professional experience in such positions as Chief Information Officer at EKO-KOM, a.s.; as member of the Supervisory Board at ČESKÝ TELECOM, a.s. and Česká pošta, s.p.; and in CEZ Group as member and later Vice-Chairman of the Supervisory Board of Severočeské doly a.s.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

Drahošlav Šimek

Member of the Supervisory Board

elected by employees since June 29, 2006

Reelected by employees from September 30, 2010

Reelected by the Shareholders' Meeting on June 27, 2014 with effect from October 1, 2014 (term expires on April 11, 2017)

A graduate of the Secondary Vocational School in Domažlice (electrician) and the Secondary Vocational School in Chomutov (workshop fitter).

He gained professional experience in such positions as unit technician at the Dukovany Nuclear Power Plant and member of the CEZ Group European Works Council.

Number of ČEZ, a. s. shares as at December 31, 2016: 2,230.

- Local unit of the Czech Union of Power Industry Employees, Union of Dukovany Power Plant Shift Employees—Chairman since May 1, 2012, reelected on April 21, 2016 (four-year term)
- Local unit of the Czech Union of Power Industry Employees, Union of Dukovany Power Plant Shift Employees—Vice-Chairman in 1995–2012

- Current membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures ended in the past 5 years.

Robert Šťastný

Member of the Supervisory Board since September 29, 2014

A graduate of the Faculty of Law, Masaryk University, Brno. He gained managerial and professional experience in such positions as senior officer at the Road Safety Department of the Ministry of Transport of the Czech Republic and in the engineering industry.

Number of ČEZ, a. s. shares as at December 31, 2016: 20.

František Vágner

Member of the Supervisory Board since June 3, 2016

A graduate of the nuclear chemistry program at the Faculty of Nuclear Sciences and Physical Engineering, Czech Technical University, Prague.

He gained managerial and professional experience in such positions as Director, Managing Director, Chief Executive Officer, and Vice-Chairman and Chairman of the Board of Directors of ENVINET a.s. and Senior Adviser at NUVIA a.s. In CEZ Group he has worked as Head of Technical Support at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- BD ŘÍČANY s.r.o.—Managing Director since March 25, 2013
- Perálec 77, s.r.o.—Managing Director since June 5, 2013
- IFRE a.s.—Chairman of the Board of Trustees and Statutory Director since May 15, 2014 (five-year term), sole shareholder since April 1, 2010
- Denní centrum Bavevní svět, o.p.s.—member of the Board of Trustees since September 12, 2014 (three-year term)
- IFRE INDUSTRY a.s.—member of the Board of Trustees since February 3, 2016 (five-year term)
- P77 s.r.o.—50% owner and Managing Director since January 6, 2017
- Třebíč District Chamber of Commerce—Vice-Chairman of the Board of Directors in 2011–2014
- NUVIA a.s.—Chairman of the Board of Directors in 2002–2014 and Vice-Chairman of the Board of Directors in 2015
- AEF ACIMEX ELECTRONICS FULNEK s.r.o.—Managing Director in 2013–2016
- IFRE FJ s.r.o.—Managing Director in 2016
- Celostátní služba osobní dozimetrie, s.r.o. /CSOD, s.r.o./—Managing Director in 2009–2014

Šárka Vinklerová

Member of the Supervisory Board since June 3, 2016

A graduate of the Faculty of Metallurgy and Materials Engineering, Technical University of Ostrava. She gained managerial and professional experience in such positions as Sales Director and Vice-Chairwoman of the Board of Directors of První energetická a.s.; head of the Czech branch and Electricity Sales Director of KORLEA INVEST, a.s., organizační složka; and head of the Czech branch of Slovenské elektrárne, a.s., a member of ENEL Group.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- KSV, s.r.o.—Managing Director and company member since October 27, 2016
- Slovenské elektrárne, a.s. - organizační složka—branch head in 2009–2016
- Slovenské elektrárne Česká republika, s.r.o.—Managing Director in 2015–2016

Members of the Supervisory Board Elected on Employees' Proposal:

The Shareholders' Meeting elected the following new members of the Supervisory Board on June 3, 2016 with effect from April 12, 2017: **Jitka Čermáková**, **Lubomír Klosík**, and **Josef Suchánek**. They will replace the following members of the Supervisory Board whose terms expire on April 11, 2017: **Radek Mucha**, **Jiří Novotný**, and **Drahošlav Šimek**. On employees' proposal, the Shareholders' Meeting elected **Vladimír Hronek** as a member of the Supervisory Board for another term with effect from April 12, 2017.

Members of the Supervisory Board Whose Membership Ended in 2016 or Before the Annual Report Closing Date:

Petr Blažek

Vice-Chairman of the Supervisory Board from June 26, 2015 to June 3, 2016

Member of the Supervisory Board from June 12, 2015 to June 3, 2016

Jan Sixta

Member of the Supervisory Board from June 12, 2015 to June 3, 2016

Jiří Tyc

Member of the Supervisory Board from June 27, 2014 to June 3, 2016

Vladimír Vlk

Member of the Supervisory Board from June 27, 2014 to February 25, 2016

Lukáš Wagenknecht

Member of the Supervisory Board from June 27, 2014 to June 3, 2016

- Current membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures ended in the past 5 years.

Supervisory Board Committees

Within its powers, the Supervisory Board may set up committees that serve as advisory bodies to the Supervisory Board in selected areas of expertise. Only Supervisory Board members may become members of such committees. Members of such committees are elected and removed by the Supervisory Board. The term of a member of a Supervisory Board committee ends at the latest on the date of termination of their membership in the Supervisory Board unless they are removed or resign from the committee on an earlier date. Each committee elects its Chairman and Vice-Chairman. Supervisory Board committees meet as needed but no less than once in a quarter.

Decision Making in Supervisory Board Committees

The position, powers, and composition of each Supervisory Board committee are stipulated in its Statute and Rules of Procedure, which are approved by the Supervisory Board. Each committee constitutes a quorum if all its members have been properly invited and a majority of all its members is present at the meeting. If the person chairing a meeting finds the committee lacking a quorum, they may call a new committee meeting to be held within three days with the same agenda. The consent of a majority of all committee members is required to pass a resolution. Voting is by show of hands unless the committee decides to take a secret vote on a specific item on the agenda. Voting by show of hands is conducted by raising hands. Each committee member has one vote. First, a vote is taken on the proposal submitted by its sponsor. If the proposal is passed by the necessary majority, other proposals on the matter in question are not voted on; however, each committee member may propose a supplementary resolution that does not contradict the resolution passed on the matter in question, which is to be voted on separately. Minutes are taken of committee meetings, which must be archived for as long as the Company exists.

Supervisory Board Strategy Committee

The Committee's mission is to improve the Supervisory Board's decision-making process in matters concerning the Company's strategic development. To that end, the Committee reviews, in particular, proposals for major business activities in the following areas:

- Capital, acquisition, and divestment projects (in particular, purchases and sales of major assets and/or shareholdings in Czechia and abroad)
- Establishment or dissolution of ČEZ, a. s. subsidiaries
- Construction of new generating facilities
- Reduction/sale/renovation of generation capacities

Members of the Supervisory Board Strategy Committee

Petr Polák

Committee Chairman since September 1, 2016
Committee member since February 25, 2016

Šárka Vinklerová

Committee Vice-Chairwoman since September 1, 2016
Committee member since June 23, 2016

Václav Pačes

Committee member since April 30, 2013,
reelected September 29, 2014
Committee Chairman from August 22, 2013 to September 29, 2014

Jiří Novotný

Committee member since August 29, 2014
(term expires on April 11, 2017)

František Vágner

Committee member since June 23, 2016

Members of the Supervisory Board Strategy Committee Whose Membership Ended in 2016 or Before the Annual Report Closing Date:

Vladimír Vlk

Committee Chairman from June 26, 2015 to February 25, 2016
Committee Vice-Chairman from September 29, 2014
to June 25, 2015
Committee member from August 29, 2014 to February 25, 2016

Jiří Tyc

Committee Vice-Chairman from June 26, 2015 to June 3, 2016
Committee member from August 29, 2014 to June 3, 2016

Petr Blažek

Committee member from June 26, 2015 to June 3, 2016

Supervisory Board Personnel Committee

As part of its activities, the Committee, in particular

- Proposes the Supervisory Board's personnel policy in relation to the Board of Directors
- Gives its opinion on proposals for electing and removing members of the Board of Directors
- Is responsible for submitting nominations of candidates for Board of Directors membership to the Supervisory Board for approval
- Makes recommendations to the Supervisory Board for giving its opinion on the appointment and manner of remuneration of members of the Board of Directors
- Makes recommendations to the Supervisory Board on the Board of Directors' proposals regarding appointments to the supervisory boards of companies in whose capital ČEZ, a. s. has an interest in excess of CZK 500 million

Members of the Supervisory Board Personnel Committee

Vladimír Hronek

Committee Chairman since October 20, 2014

Committee Vice-Chairman from April 30, 2013 to October 19, 2014

Committee member since December 2, 2010

Zdeněk Černý

Committee Vice-Chairman since October 20, 2014

Committee member since August 29, 2014

Vladimír Kohout

Committee member since June 23, 2016

Radek Múcha

Committee member since April 30, 2013

(term expires on April 11, 2017)

Robert Šťastný

Committee member since June 26, 2015

Members of the Supervisory Board Personnel Committee

Whose Membership Ended in 2016 or Before the Annual Report Closing Date:

Jan Sixta

Committee member from June 26, 2015 to June 3, 2016

Audit Committee

Position and Powers of the Audit Committee

Without prejudice to the responsibilities of members of the Board of Directors and the Supervisory Board, the Audit Committee

- Monitors the process of compiling financial statements and consolidated financial statements and presents recommendations to the Board of Directors and/or the Supervisory Board in order to ensure integrity of accounting and financial reporting systems (if necessary)
- Monitors the efficiency of internal controls and risk management systems
- Monitors the efficiency of internal audit and its functional independence
- Recommends an auditor to conduct a statutory audit to the Supervisory Board, duly justifying such a proposal
- Monitors the statutory audit process
- Reviews the independence of the statutory auditor and audit firm and the provision of non-audit services to a public-interest entity by the statutory auditor and audit firm
- Discusses with the auditor risks to the auditor's independence and safeguards applied by the auditor in order to mitigate such risks
- Gives its opinion on release from an obligation under a statutory audit contract or termination of a statutory audit contract pursuant to the Auditors Act
- Informs the Supervisory Board of the result of a statutory audit and its findings obtained monitoring the statutory audit process
- Informs the Supervisory Board how a statutory audit contributed to ensuring integrity of accounting and financial reporting systems
- Approves the provision of other non-audit services
- Exercises other powers pursuant to the Auditors Act or directly applicable EU legislation setting down specific requirements for the statutory audit of public-interest entities

The Audit Committee is entitled to inspect documents and records concerning the activities of the public-interest entity that established it to the extent necessary for the performance of the Audit Committee's activities.

Members of the Audit Committee attend the Company's Shareholders' Meetings and are required to present the results of their activities to the Shareholders' Meeting.

Composition and Activities of the Audit Committee

The Audit Committee has 5 members (4 positions are filled as at the Annual Report closing date), who are elected and removed by the Shareholders' Meeting from among the members of the Supervisory Board or third parties. Members of the Audit Committee may not be members of the Board of Directors or Company proxies. A majority of Audit Committee members must be independent and professionally qualified. At least 1 member of the Committee must be a person that is or was a statutory auditor or a person whose expertise and/or prior practice in accounting qualify them to duly perform the duties of an Audit Committee member. This member must always be independent. The Audit Committee elects its Chairman (who must be independent) and Vice-Chairman. The term of each member of the Audit Committee is four years. The Shareholders' Meeting may elect up to 3 substitute members of the Audit Committee, defining their order, and may change the order of already elected substitute members. The business address of members of the Audit Committee is the Company's registered office address: Duhová 2/1444, 140 53 Praha 4.

Decision Making in the Audit Committee

The Audit Committee constitutes a quorum if a majority of all its members is present. Each member has one vote when making decisions. The Audit Committee makes decisions by a majority of the votes of all its members. The Audit Committee's meetings are governed by its Rules of Procedure, which are adopted and amended by a two-thirds vote of all its members. In necessary cases that allow no delay, the Chairman or Vice-Chairman of the Audit Committee may call a vote outside a meeting (by letter). The proposal for the Audit Committee's resolution must be sent to all its members. In such a case, the resolution is adopted if at least two-thirds of all members took part in the vote and a majority of all members voted in favor of the resolution. The Audit Committee may invite members of the Company's other bodies, Company employees, and/or other persons to its meetings at its discretion. Audit Committee meetings are held as necessary. Four regular meetings were held in 2016.

Members of the Audit Committee

Jan Vaněček

Chairman of the Audit Committee since September 25, 2015

Member of the Audit Committee since June 12, 2015

A graduate of the Faculty of Electrical Engineering, Czech Technical University, Prague; University of Economics, Prague, with focus on accounting, corporate finance, and banking; and an ACCA/FCCA—Chartered Certified Accountant international professional training program at Charles University, Prague. He gained managerial and professional experience in such positions as Audit Senior at Arthur Andersen and Chief Financial Officer for the Czech Republic at Cinergy, a U.S. energy company.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- pinn partners s.r.o.—Managing Director and company member since September 11, 2008
- i4wifi a.s.—member of the Supervisory Board in 2014 and 2015
- CP Praha s.r.o., in liquidation—Vice-Chairman and member of the Supervisory Board in 2011–2016

Otakar Hora

Vice-Chairman of the Audit Committee since September 27, 2016

Member of the Audit Committee since June 3, 2016

A graduate of an Economic Reporting and Audit program, University of Economics, Prague. He completed his research assistantship at the Department of Accounting of the University of Economics. He gained managerial and professional experience in such positions as lecturer and later deputy head of the Department of Accounting and the Department of Management Accounting and member of the Scientific Board of the Faculty of Finance and Accounting, University of Economics, Prague; Vice-President of the Czech Chamber of Auditors; partner in KPMG Česká republika Audit, s.r.o.; and partner in charge of the management of operations of KPMG group companies in Czechia.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- DZD, v.o.s.—company member and statutory representative since February 25, 1999
- ABARent s. r. o.—Managing Director and company member since March 2, 2016
- KPMG Česká republika, s.r.o.—proxy with an individual power of procuration in 1998–2016
- KPMG Česká republika Audit, s.r.o.—Managing Director in 2001–2016

- Current membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures ended in the past 5 years.

Andrea Lukášková

Member of the Audit Committee since June 27, 2014

A graduate of the Faculty of International Relations, University of Economics, Prague.

She gained managerial and professional experience in such positions as Head of Risk Management at Deloitte Audit s.r.o. and in the independent European Affairs department of the Chancellery of the Senate of the Parliament of the Czech Republic; now she is in charge of financial management and accounting at Olife Corporation, a.s.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

- Český Aeroholding, a.s.—member of the Audit Committee since July 2014 (five-year term)
- Český institut interních auditorů, z.s.—member of the Board in 2013–2014
- Česká exportní banka, a.s.—member of the Audit Committee in 2014–2016

Radek Neužil

Member of the Audit Committee since June 19, 2013

A graduate of the Faculty of Mechanical Engineering, Brno University of Technology (majoring in economics and machinery production management) and Faculty of Law, Masaryk University in Brno (LL.M.—Master of Laws).

He gained managerial and professional experience in such positions as Secretary of the Czech Chamber of Tax Advisers; Chairman of the Supervisory Board and later Managing Director of Daňová akademie s.r.o.; member of the Executive Board and Chairman of the Committee for Cooperation and Coordination in Audit of the Public Audit Oversight Board; member of the Departmental Coordination Subgroup for Accounting and Statutory Audit, Ministry of Finance of the Czech Republic; and member of the Accounting and Audit Policies and Development Commission, Audit and Tax Advisory Section, Ministry of Finance of the Czech Republic. He has been a tax adviser since 2002.

Number of ČEZ, a. s. shares as at December 31, 2016: 476.

- Karlova univerzita (Charles University)—member of the Board of Trustees since October 14, 2011 (six-year term)
- O2 Czech Republic a.s.—Vice-Chairman of the Audit Committee since March 12, 2014 (five-year term)
- PASKI CLUB, v.o.s.—company member since October 4, 1995
- Paski club (association)—Vice-Chairman since March 3, 1994 (undefined term duration)
- Eláán (association)—Chairman since July 4, 2002 (undefined term duration)
- Rada pro veřejný dohled nad auditem (Public Audit Oversight Board)—Disciplinary Committee member since 2015, Chairman since 2016
- Daňová akademie s.r.o.—Managing Director in 2011–2012
- Rada pro veřejný dohled nad auditem (Public Audit Oversight Board)—member of the Executive Board and Chairman of the Committee for Cooperation and Coordination in Audit in 2009–2015

- Current membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures ended in the past 5 years.

Members of the Audit Committee Whose Membership Ended in 2016 or Before the Annual Report Closing Date:

Ivan Pilip

Member of the Audit Committee from June 12, 2015 to September 25, 2016

Lukáš Wagenknecht

Vice-Chairman of the Audit Committee from July 10, 2014 to June 3, 2016

Member of the Audit Committee from June 27, 2014 to June 3, 2016

Remuneration of Members of the Supervisory Board and Members of the Audit Committee

In compliance with the Civil Code, Act No. 89/2012 Sb., and the Business Corporations Act, No. 90/2012 Sb., all service-related arrangements between the Company and a member of the Supervisory Board or a member of the Audit Committee are included in a service contract.

Remuneration of members of the Supervisory Board and the Audit Committee, including all considerations, is approved by the Shareholders' Meeting. The Company enters into a service contract with each member of the Supervisory Board or the Audit Committee in compliance with resolutions passed by the Shareholders' Meeting.

Members of the Supervisory Board and the Audit Committee receive the following remuneration and perquisites:

- **Remuneration of a member of the Supervisory Board**—Paid regularly after the end of every calendar month. The monthly remuneration is stipulated as a fixed amount and is differentiated by the importance of the position held (chairman, vice-chairman, and member). The remuneration of a member of the Supervisory Board has no variable component. If a member of the Supervisory Board is temporarily unable to perform activities associated with service on the Supervisory Board due to sickness, they remain entitled to the full monthly remuneration for the first 30 calendar days of their inability to perform activities associated with service on the Supervisory Board due to the above reasons. If such inability to perform activities associated with service on the Supervisory Board lasts longer than 30 calendar days without interruption, the amount of monthly remuneration for every calendar month in which the member is unable to serve on the Supervisory Board, from the 31st calendar day to the end of their inability, is 50% of the stipulated monthly remuneration.

- **Remuneration of a member of the Audit Committee**—Paid regularly after the end of every calendar month. The monthly remuneration is stipulated as a fixed amount and is differentiated by the importance of the position held (chairman, vice-chairman, and member). The remuneration of a member of the Audit Committee has no variable component. If a member of the Audit Committee is temporarily unable to perform activities associated with service on the Audit Committee due to sickness, they remain entitled to the full monthly remuneration for the first 30 calendar days of their inability to perform activities associated with service on the Audit Committee due to the above reasons. If such inability to perform activities associated with service on the Audit Committee lasts longer than 30 calendar days without interruption, the amount of monthly remuneration for every calendar month in which the member is unable to serve on the Audit Committee, from the 31st calendar day to the end of their inability, is 50% of the stipulated monthly remuneration.
- **Bonus**—Paid to members of the Supervisory Board based on the Shareholders' Meeting's decision. The amount of the bonus for individual members of the Supervisory Board is determined pursuant to rules approved by the Shareholders' Meeting.
- **Insurance**—Members of the Supervisory Board are entitled to endowment life insurance to be taken out at the Company's expenses. Upon termination of office or the Company's withdrawal from the endowment life insurance contract, the policy is transferred to the member of the Supervisory Board free of charge.
- **Company car**—A member of the Supervisory Board may be provided with a car to be used when discharging their duties as well as for personal use; the car is subject to taxation and fuel consumption for personal use is paid for by the member of the Supervisory Board. Terms and conditions for lending and using such cars are set forth in separate agreements. If a member of the Supervisory Board uses their private car to discharge their duties, the costs associated with such use are reimbursed by the Company in compliance with applicable law. A member of the Audit Committee may use their private car to discharge their duties. In such a case, travel costs are reimbursed in compliance with applicable law.
- **Reimbursement of travel expenses**—When traveling on business, members of the Supervisory Board receive meal and per diem allowances at rates stipulated in their service contracts and reimbursement for other expenses at face value; in addition, members of the Supervisory Board are covered by travel insurance for short-term foreign business travel. Members of the Audit Committee traveling on business receive meal allowances at rates stipulated in their service contracts and reimbursement for other necessary expenses at face value; in addition, members of the Audit Committee are covered by travel insurance for short-term foreign business travel and they receive a per diem allowance at the maximum rate stipulated by the Labor Code when traveling on business abroad.

Members of the Supervisory Board and the Audit Committee who are not permitted by law to earn remuneration for their service do not receive any monthly remuneration or any other consideration or reimbursement that is not permitted by law.

Board of Directors

Position and Powers of the Board of Directors

The Board of Directors is a statutory governing body that manages the Company's activities and whose members act on the Company's behalf. It makes decisions on all Company matters unless they are reserved for the Shareholders' Meeting, the Supervisory Board, or another body by law or the Company's bylaws. The Board of Directors may delegate decisions on certain matters to individual members of the Board of Directors and, by means of internal rules approved by the Board of Directors, to Company employees. Such delegation does not relieve members of the Board of Directors of their responsibility for overseeing how Company matters are managed. The Board of Directors obeys the principles and directions approved by the Shareholders' Meeting as long as they are in compliance with the law and the Company's bylaws.

The Board of Directors is competent, in particular, to

- Take care of business management and proper bookkeeping
- Call a Shareholders' Meeting, make organizational arrangements for it, and presents to it, in particular, the following:
 - Draft company business policy and draft amendments thereto
 - Draft amendments to the bylaws
 - Proposals to increase/decrease the stated capital as well as to issue convertible and/or priority bonds
 - Annual, extraordinary, consolidated, and/or interim financial statements
 - Proposals for the distribution of profits including the amount, manner, and date of payment of dividends, the amount of Board members' bonuses and allocations to reserves; or the manner of settlement of Company losses
 - Annual report on the Company's business activities and assets
 - Proposal for Company dissolution
 - Summary explanatory report pursuant to Section 118(9) of the Capital Market Undertakings Act
 - Nominations of candidates for the election of one-third of Supervisory Board members from among Company employees (including proposals for removal)
- Implement resolutions of the Shareholders' Meeting
- Grant and revoke procuration
- Approve and amend the Signature Rules of ČEZ, a. s. and, with the consent of the labor organizations operating within the Company, the Work Rules of ČEZ, a. s.
- Remove Company executives pursuant to Section 73 of the Labor Code
- Sign service contracts with members of Company governing bodies on behalf of the Company

Composition and Activities of the Board of Directors

The Board of Directors has 7 members (6 positions are filled as at the Annual Report closing date), who are elected and removed by the Supervisory Board. The Board of Directors elects and removes its Chairman and Vice-Chairman. The term of office of each member is four years and members may be reelected. The business address of members of the Board of Directors is the Company's registered office address: Duhová 2/1444, 140 53 Praha 4.

Board of Directors meetings are held at least once a month. In 2016, a total of 40 meetings were held: 35 regular meetings and 5 special meetings.

Decision Making in the Board of Directors

The Board of Directors constitutes a quorum if a majority of all its members is present. Each member has one vote. The Board of Directors makes decisions by a majority of the votes of all its members. The Board of Directors' meetings are governed by its Rules of Procedure, which the Board of Directors adopts and amends by a two-thirds vote of all its members.

A record is made of the course of each Board of Directors meeting and the resolutions adopted, which must list the names of the members of the Board of Directors who voted against each decision or abstained from voting. Unlisted members are deemed to have voted in favor of the resolution unless stated otherwise. In necessary cases that allow no delay, the Chairman or, if absent, the Vice-Chairman of the Board of Directors may call a vote outside a meeting (by letter). The proposal for the Board of Directors' resolution must be sent to all its members. In such a case, the resolution is adopted if at least two-thirds of all members took part in the vote and a majority of all members voted in favor of the resolution. The Board of Directors may invite members of the Company's other bodies, Company employees, and/or other persons to its meetings at its discretion.

Description of the Activities, Competence, and Decision-Making Powers of Members of the Board of Directors

The office of member of the ČEZ, a. s. Board of Directors involves the exercise of all rights and obligations that are associated with the office pursuant to applicable law, the Company's bylaws, the Rules of Procedure of the Board of Directors, resolutions of the Company's governing bodies, contracts on service on the Board of Directors, and the Company's internal regulations. In particular, members of the Board of Directors are required to carry out their activities for the Company in person and to the best of their knowledge and ability, to cooperate with the other members of the Board of Directors, and to protect the Company's interests to the greatest extent possible. The Board of Directors can assign specific tasks to a member in the manner set forth in the Rules of Procedure of the Board of Directors.

In business management, the Board of Directors makes decisions on the following, in particular:

- Using money from the reserve fund, unless otherwise provided by law
- Increasing the Company's capital pursuant to Section 474 of the Business Corporations Act and Article 30 et seq. of the Company's bylaws and, in that context, issuing Company shares as dematerialized bearer securities
- Draft purchase contracts concerning electricity, heat, natural gas, and greenhouse gas emission allowances; distribution, transmission, and auxiliary services; commodity derivatives and commodity services, if so indicated in the Signature Rules of ČEZ, a. s.
- Capital projects and implementation thereof if so indicated in the Signature Rules
- Acceptance of a long-term loan (credit) for a period of more than 1 year and other similar long-term financial operations of the Company, except hedging operations, if so indicated in the Signature Rules of ČEZ, a. s.
- Contents of annual reports pursuant to the Accounting Act and half-year and annual reports pursuant to the Capital Market Undertakings Act
- Making agreements on the establishment of a commercial company or association, on the Company's acquisition of an interest in another legal entity, and on the dissolution of a commercial company or association or on the sale of the Company's interest in another legal entity
- Alienation or lease of real estate, if so indicated in the Company's bylaws or the Signature Rules of ČEZ, a. s.

The Board of Directors must seek the Supervisory Board's prior approval to make some of its decisions. These include, in particular, decisions regarding

- Acquisition, alienation, pledging, or lease of immovable and/or movable property (except for inventories and securities held for liquidity-management purposes) that are to be, or are, included in the Company's assets and whose book value exceeds CZK 500 million
- Company capital projects with a value exceeding CZK 500 million
- Operations with interests in other legal entities, based in Czechia or abroad, under the terms specified in the Company's bylaws
- Transfers and pledging of treasury stock
- Staffing of the supervisory boards of companies in whose capital the Company has an interest in excess of CZK 500 million; the Supervisory Board may also reserve, by its resolution, the right of prior consent with regard to any company where the Company's interest does not exceed CZK 500 million
- Draft contract with the auditor appointed by the Shareholders' Meeting to conduct the statutory audit
- Alienation of real property if the market or appraisal price of the real property exceeds CZK 100 million
- Granting a loan to a third party or the Company's providing a guaranty for a third-party debt that in each individual case exceeds CZK 200 million; a controlled entity is not deemed a third party
- Acceptance of a long-term loan from a third party for a period of more than 1 year or another similar long-term financial operation, except a hedging operation, in excess of CZK 500 million; a controlled entity is not deemed a third party
- Issue of bonds other than those for which the approval of the Shareholders' Meeting is required within the meaning of Section 421(2)(d) of the Business Corporations Act
- Granting of Company stock options where the law permits the Board of Directors to make such a decision
- Company transformation pursuant to law
- Conclusion of a contract under which the Company is to acquire or alienate assets if the value of the acquired or alienated assets during one accounting period exceeds one-third of its equity as shown by the latest consolidated financial statements
- Enabling the conduct of due diligence (legal, financial, technical, and/or environmental audit) of the Company or any of its organizational units
- Conclusion of management contracts with Company division heads that are not members of the Board of Directors, and appointment of the Chief Executive Officer
- Defining and evaluating individual assignments for Company division heads that are not members of the Board of Directors
- Distribution of tender specifications to tenderers for public contracts pursuant to the Public Procurement Act if the anticipated value of the contract is greater than 1/3 of the equity as shown by the latest consolidated financial statements

The Board of Directors must submit certain matters to the Supervisory Board for review and seek the Supervisory Board's opinion. This applies to, in particular:

- Approval of and amendment to the Organizational Rules of ČEZ, a. s.
- Approval of rules for the creation and use of Company funds
- Draft annual capital and operating budgets
- Proposals for substantial changes in the Company's organizational structure
- Proposal for the Company's strategy or a substantial update thereto under the business policy approved by the Shareholders' Meeting
- Draft business plan of the Company
- Draft business policies (including amendments thereto) of controlled entities with stated capital in excess of CZK 500 million
- Contents of tender specifications pursuant to the Public Procurement Act if the anticipated value of the contract is greater than one-third of the equity as shown by the latest consolidated financial statements
- Proposals to be presented by the Board of Directors to the Shareholders' Meeting; however, it is sufficient to just notify the Supervisory Board of proposals that the Board of Directors is required to present to the Shareholders' Meeting by law

No later than by May 15 of each calendar year, the Board of Directors submits to the Supervisory Board for review the annual and consolidated financial statements together with a proposal for the distribution of profits, the Board of Directors' report pursuant to Section 82 of the Business Corporations Act, the manner and date of payment of dividends, the amount of Board member bonuses, or a proposal for the settlement of the Company's losses. In addition, the Board of Directors submits to the Supervisory Board any extraordinary and interim financial statements for its review.

Pursuant to the Company's bylaws, the Board of Directors must notify some of its decisions to the Supervisory Board.

The Board of Directors may entrust its members with powers according to a certain field of management and function in the organizational structure, as defined in the Organizational Rules. In such a case, the member of the Board of Directors is authorized, within the scope of the entrusted powers, to manage the Company division or unit in question. In conjunction with such authorization, the member of the Board of Directors is also entitled to use the title of the position so delegated (Chief Executive Officer, division head). When acting on behalf of the Company in legal matters (for example, signing contracts), they always use the title "member/Vice-Chairman/Chairman of the Board of Directors".

Board of Directors



Daniel Beneš
Chairman of the Board of Directors
and Chief Executive Officer



Pavel Cyrani
Member of the Board of Directors
and Chief Sales Officer



Ladislav Štěpánek
Member of the Board of Directors
and Chief Generation Officer



Martin Novák
Vice-Chairman of the Board of Directors
and Chief Financial Officer



Tomáš Pleskač
Member of the Board of Directors
and Chief Renewable Energy
and Distribution Officer



Michaela Chaloupková
Member of the Board of Directors
and Chief Administrative Officer

Members of the Board of Directors

Daniel Beneš

Chairman of the Board of Directors since September 15, 2011
1st Vice-Chairman of the Board of Directors from May 21, 2008 to June 29, 2010

Vice-Chairman of the Board of Directors from May 10, 2006 to May 20, 2008 and from June 29, 2010 to September 15, 2011

Member of the Board of Directors continuously since December 15, 2005

A graduate of the Technical University of Ostrava, Faculty of Mechanical Engineering, and the Brno International Business School Nottingham Trent University (MBA).

He gained managerial and professional experience in such positions as Procurement Director, Chief Administrative Officer, and Chief Operating Officer of ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

Number of ČEZ, a. s. stock options as at December 31, 2016: 600,000.

Number of ČEZ, a. s. stock options as at February 28, 2017: 600,000.

- Vysoká škola báňská – Technická univerzita Ostrava (Technical University of Ostrava)—member of the Board of Trustees since August 14, 2009, reelected on October 1, 2015 (six-year term)
- Svaz průmyslu a dopravy České republiky (Confederation of Industry of the Czech Republic)—member of the Board of Directors and Vice-President since April 28, 2015 (four-year term)
- Nadace ČEZ (ČEZ Foundation)—Chairman of the Board of Trustees since May 31, 2007, member of the Board of Trustees since March 26, 2007, last reelected for the term starting on July 16, 2015 (two-year term)
- Jihočeská univerzita v Českých Budějovicích (University of South Bohemia, České Budějovice)—member of the Board of Trustees in 2011–2014
- Jadrová energetická spoločnosť Slovenska, a. s.—Vice-Chairman and member of the Supervisory Board in 2009–2013
- Český svaz zaměstnavatelů v energetice (Czech Association of Energy Sector Employers)—member of the Board of Directors in 2012–2016

Martin Novák

Vice-Chairman of the Board of Directors since October 20, 2011
Last reelected with effect from May 23, 2016

Member of the Board of Directors since May 21, 2008
Last reelected with effect from May 23, 2016

A graduate of the Faculty of International Relations, University of Economics, Prague, majoring in international trade and commercial law. In 2007, he completed an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specializing in the energy sector. He has been a member of the Czech Chamber of Tax Advisers since 1996.

He gained managerial and professional experience particularly during his almost ten-year career in the oil refining industry and fuel production and distribution. In recent years he served as manager in ConocoPhillips' global headquarters in Houston, Texas, as well as its London regional office. He also worked at ConocoPhillips Czech Republic s.r.o. where he served as Chief Financial Officer with responsibility for Central & Eastern Europe (in this position he also served as statutory representative for several regional branches of ConocoPhillips), and at ČEZ, a. s. as Head of Accounting.

Number of ČEZ, a. s. shares as at December 31, 2016: 3,255.

Number of ČEZ, a. s. stock options as at December 31, 2016: 300,000.

Number of ČEZ, a. s. stock options as at February 28, 2017: 300,000.

- Burza cenných papírů Praha, a.s.—member of the Supervisory Board since June 3, 2014 (five-year term)

Tomáš Pleskač

Member of the Board of Directors since January 26, 2006
Reelected with effect from January 28, 2014

2nd Vice-Chairman of the Board of Directors from May 21, 2008 to June 29, 2010

Vice-Chairman of the Board of Directors from February 11, 2008 to May 20, 2008

A graduate of the Faculty of Business and Economics, University of Agriculture, Brno; MBA from Prague International Business School.

He gained managerial and professional experience in such positions as Chief Financial Officer for Severomoravská energetika, a. s. and Deputy Director for Finance for the Dukovany Nuclear Power Plant.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

Number of ČEZ, a. s. stock options as at December 31, 2016: 180,000.

Number of ČEZ, a. s. stock options as at February 28, 2017: 240,000.

- Akenerji Elektrik Üretim A.S. (Turkey)—Vice-Chairman of the Board of Directors since June 20, 2012; member of the Board of Directors since May 13, 2009; last reelected on April 26, 2016 (term expires on April 26, 2019)
- Akcez Enerji A.S. (Turkey)—Vice-Chairman of the Board of Directors since January 1, 2015; member of the Board of Directors since July 1, 2013; reelected on March 22, 2016 (three-year term)
- Mitteldeutsche Braunkohlengesellschaft mbH—member of the Supervisory Board in 2009–2012 (company sold)
- CM European Power International B.V. (Netherlands)—Chairman of the Board of Directors in 2011–2015, member of the Board of Directors in 2008–2015

Pavel Cyrani

Member of the Board of Directors since October 20, 2011
Reelected with effect from October 21, 2015

A graduate of the University of Economics, Prague, majoring in international trade, and the Kellogg School of Management in Evanston, Illinois (USA), where he was awarded an MBA in Finance. He gained managerial and professional experience primarily at ČEZ, a. s., where he has served since 2006, first as Head of Planning & Controlling and Head of Asset Management and since 2011 as a member of the Board of Directors, Chief Strategy Officer, and then Chief Sales Officer. Prior to joining ČEZ, a. s., he worked at McKinsey & Company.

Number of ČEZ, a. s. shares as at December 31, 2016: 216.

Number of ČEZ, a. s. stock options as at
December 31, 2016: 240,000.

Number of ČEZ, a. s. stock options as at
February 28, 2017: 240,000.

- Loyalty Consulting s.r.o. (Expat Support s.r.o. since April 7, 2015)—Managing Director and company member in 2003–2012
- Dalkia Česká republika, a.s. (Veolia Energie ČR, a.s. since January 1, 2015)—member of the Supervisory Board in 2010–2012
- CM European Power International B.V.—member of the Board of Directors in 2011–2015
- ČEZ Energo, s.r.o.—member and Chairman of the Supervisory Board in 2014–2016

Michaela Chaloupková

Member of the Board of Directors since October 20, 2011
Reelected with effect from October 21, 2015

A graduate of the Faculty of Law, University of West Bohemia, Pilsen, and an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specializing in the energy sector.

She gained managerial and professional experience, in particular, at Stratego Invest a.s. (later i-Tech Capital, a.s.), where she served as Head of Controlling and Vice-Chairwoman of the Board of Directors, as well as in managerial positions in Procurement and Human Resources at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2016: 0.

Number of ČEZ, a. s. stock options as at
December 31, 2016: 240,000.

Number of ČEZ, a. s. stock options as at
February 28, 2017: 240,000.

Ladislav Štěpánek

Member of the Board of Directors since June 27, 2013

A graduate of the Faculty of Mechanical Engineering, Czech Technical University, Prague.

He gained managerial and professional experience in such positions as Head of the Office of the Chief Executive Officer and the Board of Directors, and Head of Fuel Cycle at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2016: 15,000.

Number of ČEZ, a. s. stock options as at
December 31, 2016: 180,000.

Number of ČEZ, a. s. stock options as at
February 28, 2017: 180,000.

Members of the Board of Directors Whose Membership Ended in 2016 or Before the Annual Report Closing Date:

Ivo Hlaváč

Member of the Board of Directors from December 19, 2013
to February 28, 2017

Working Commissions, Teams, and Committees of the Board of Directors

For the purposes of its activities, the Board of Directors may set up working commissions, teams, and committees pursuant to Article 17(1) of the Bylaws of ČEZ, a. s. Based on a Board of Directors decision, an Operations team and a Development team were created with effect from January 1, 2016, coordinated by the respective members of the Board of Directors appointed to lead the teams.

The Operations Team is a team within the Board of Directors that has coordination authority over matters relating to mining, electricity generation, heat generation and distribution, finance, human resources, procurement, and other supporting services. The appointed team leader is the Chief Financial Officer, Vice-Chairman of the Board of Directors. Other members of the team are the member of the Board of Directors in charge of the Generation Division and the member of the Board of Directors in charge of the Administrative Division.

The Development Team is a team within the Board of Directors that has coordination authority over matters relating to sales, customer solutions, innovation, distribution, regulation, foreign country management units, mergers and acquisitions, and renewables. The appointed team leader is the Chief Renewable Energy and Distribution Officer, member of the Board of Directors. The other member of the team is the member of the Board of Directors in charge of the Sales Division.

- Current membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group affiliates and/or joint ventures ended in the past 5 years.

Committees of Members of the Board of Directors

Each member of the Board of Directors may set up working commissions, teams, and committees in their appointed area. Other members of the Board of Directors involved in the matters in question and relevant Company employees may participate in their work.

The following were the key committees in 2016:

- **The Committee for ČEZ, a. s. Plant Safety**, which, among other things, assesses the level and condition of plant safety at ČEZ, a. s. It assesses the quality and safety aspects of the corporate culture, current and potential safety problems, and optimal solutions thereto. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).
- **The CEZ Group Security Committee**, which, among other things, deals with CEZ Group security policies, strategies, and objectives; threats; risks; analyses of security incidents; and proposed security requirements, corrective measures, and the priorities/conditions for their implementation. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).
- **The Risk Committee**, which deals with matters concerning CEZ Group's risk management; in particular, it proposes the risk management system development strategy and adopts recommendations and opinions on venture capital management, the oversight of internal risk management, and the monitoring of the overall impact of risks on the Group's value. The Risk Committee is an advisory body to the Vice-Chairman of the Board of Directors in charge of the Finance Division (Chief Financial Officer).

Remuneration of Members of the Board of Directors

In compliance with the Civil Code, Act No. 89/2012 Sb., and the Business Corporations Act, No. 90/2012 Sb., all service-related arrangements between the Company and a member of the Board of Directors are included in a service contract and/or amendments thereto.

Remuneration of members of the Board of Directors is set forth by the Company's Supervisory Board. In compliance with the Supervisory Board's resolutions, the Company makes service contracts with members of the Board of Directors, which specify all remuneration and perquisites to be provided. Contracts of service on the Board of Directors are approved by the Supervisory Board following prior discussion by the Supervisory Board's Personnel Committee.

The manner and amounts of remuneration are determined on the basis of the methodology and surveys of Korn/Ferry International (formerly HayGroup), an international consultancy firm that has long specialized in remuneration consultancy worldwide. The company has used a globally uniform HayGroup analytical method and standardized remuneration surveys since 2008. The HayGroup analytical method assesses positions with respect to responsibility and powers, scope of management in terms of the number of employees and countries as well as the diversity of managed processes and segments, the difficulty of handled issues, required know-how, amount of revenue, amount of investment, as well as the degree of freedom in decision-making. A frame of reference for the remuneration of members of the Board of Directors is also the Top Executive Compensation in Europe (EUROTOPEX) survey. Members of the Board of Directors are in charge of the management of the Company's respective divisions and responsible for managing the matters of CEZ Group subsidiaries in their respective areas of management.

Members of the Board of Directors receive the following remuneration and perquisites:

- **Monthly remuneration of a member of the Board of Directors**—Paid regularly after the end of every calendar month. The monthly remuneration is stipulated as a fixed amount. If a member of the Board of Directors is temporarily unable to serve on the Board of Directors due to sickness or maternity/parental leave, they remain entitled to the full monthly remuneration for the first 30 calendar days. If such inability lasts longer than 30 calendar days without interruption, the amount of monthly remuneration for every calendar month in which the member of the Board of Directors is unable to serve on the Board of Directors, from the 31st calendar day to the end of their inability, is 50% of the stipulated monthly remuneration.

- **Annual remuneration**—Provided to members of the Board of Directors in addition to monthly remuneration, depending on the accomplishment of predefined specific tasks for a given year. The share of annual remuneration in the total compensation (monthly remuneration and annual remuneration) may be, depending on the importance of the position held in the Board of Directors (member, Vice-Chairman, and Chairman), 47% to 64%. Specific tasks and the relation between the amount of annual remuneration and the accomplishment of individual tasks are defined for members of the Board of Directors by the Supervisory Board's decision. The accomplishment of defined specific tasks is evaluated and the final amount of annual remuneration is determined by the Supervisory Board following an assessment of the Company's financial performance in the relevant year. Members of the Board of Directors are set a defined joint task (for 2016, it was achieving a planned value of CEZ Group's EBITDA) as well as individual specific tasks of both financial and nonfinancial nature, reflecting the responsibility of each member of the Board of Directors for their respective area of management and reflecting Group and project goals. Such specific tasks are set on the basis of strategic, financial, and safety priorities and goals and are based on the Company's current business plan and, most importantly, annual budget. All specific tasks have a defined target value, weight, and deadline. Recoverable advances on the annual remuneration are paid every month together with the monthly remuneration. The total sum of recoverable advances paid may not exceed 45% of the maximum annual remuneration.
 - **Target-based remuneration**—A member of the Board of Directors may receive target-based remuneration of up to six times the amount of their monthly remuneration for the accomplishment of specific tasks assigned by the Shareholders' Meeting. Details, including the amount and due date of target-based remuneration, are specified by the Supervisory Board, subject to principles laid down by the Shareholders' Meeting.
 - **Bonus**—Paid to members of the Board of Directors based on the Shareholders' Meeting's decision. The amount of the bonus for individual members of the Board of Directors is determined pursuant to rules approved by the Shareholders' Meeting.
 - **Stock options**—A member of the Board of Directors is entitled to options on the Company's common stock under the conditions set forth in the stock option agreement that is part of the service contract with the member of the Board of Directors. A Board of Directors member's stock option plan starts on the date of commencement of their membership in the Board of Directors subject to the Supervisory Board's approval. Stock options are granted every year, starting on the commencement of the stock option plan and then always after one year, for the duration of the stock option plan.
- When an option is exercised, appreciation of the shares on a public market on the exercise date may not exceed 100% over the exercise price applicable to the option grant in question. In addition, whenever exercising an option, the member of the Board of Directors must hold a number of shares corresponding to 20% of the profit realized (difference between the market price of the shares on the exercise date and the exercise price of the shares). The gain on the exercise of options, that is, the difference between the exercise price and the final price of the Company's shares on the exercise date, is subject to income tax and statutory insurance deductions.
- **Insurance**—Members of the Board of Directors are beneficiaries of endowment life insurance, accident insurance, and third-party liability insurance taken out at the Company's expense. Upon termination of office or the Company's withdrawal from the endowment life insurance contract, the endowment policy is transferred to the member of the Board of Directors free of charge.
 - **Company car**—A member of the Board of Directors is entitled to a company car for business and personal use. Terms and conditions for lending and using such cars are set forth in separate agreements. A company car provided for both personal and business use is subject to taxation, and fuel consumed for personal use is paid for by the member of the Board of Directors. If a member of the Board of Directors uses their own car to discharge their duties, the costs associated with such use are reimbursed by the Company in compliance with applicable law.
 - **Severance pay**—In the event of termination of office (other than the member's resignation) before the expiration of their four-year term, a member of the Board of Directors is entitled to severance pay. The method of calculation and payment conditions of severance pay are set forth in the service contract.
 - **Reimbursement of travel expenses**—When traveling on business, a member of the Board of Directors receives meal and per diem allowances at rates stipulated in their service contract and reimbursement for other expenses at face value; in addition, members of the Board of Directors are covered by travel insurance for short-term foreign business travel.
 - **Benefits**—Members of the Board of Directors receive premium health care and other benefits matching those provided to Company employees under the applicable collective agreement.
 - **Cash compensation for compliance with the Board member's obligation under the non-compete clause**—Considering the nature of information, knowledge, and expertise gained by a member of the Board of Directors during their service on the Board of Directors, the Company undertakes to provide the member with a cash compensation upon its termination, for the period and under the conditions set forth in their contract.

Persons With Executive Authority at ČEZ, a. s.

At ČEZ, a. s., persons with executive authority, as defined by the Capital Market Undertakings Act, are members of the Board of Directors, members of the Supervisory Board, and members of the Audit Committee.

Members of the Board of Directors are authorized by their service contracts to manage their respective divisions and exercise the rights and perform the duties of the employer in relation to the employees of the respective divisions, including the Chief Executive Officer's division. Members of the Board of Directors may also be authorized by the Board of Directors to manage the matters of Czech and foreign companies within CEZ Group.

Description of the Delegated Powers of Members of the Board of Directors as at March 1, 2017

Daniel Beneš—Chief Executive Officer

Chairman of the Board of Directors in charge of the CEO Division

Responsible for the fulfillment of tasks assigned by the Board of Directors in its resolutions and has the authority to take decisions on Company matters that are not reserved for the Shareholders' Meeting, the Supervisory Board, or another Company body, and are within the decision-making authority of the Board of Directors and were not expressly placed within the decision-making authority of other members of the Board of Directors or the Board of Directors as a whole.

In particular, the Chief Executive Officer coordinates the activities of division heads and the activities of teams established at the level of the Board of Directors. Furthermore, he carries out the top-level management of CEO division departments and management activities concerning the Company's strategy, management system, communication and marketing, legal services, corporate compliance, corporate governance, public affairs, security, and safety inspectorate.

He manages the matters of subsidiaries relating to coal mining and sales.

Martin Novák—Chief Financial Officer

Vice-Chairman of the Board of Directors in charge of the Finance Division

Chief Executive Officer's deputy for Operations

Responsible for economic and financial management, financing, investor relations, risk management, controlling, accounting, tax matters, and shareholding management and ensuring efficient setup and operations of supporting services.

He manages the matters of subsidiaries relating to information technology and corporate services.

Tomáš Pleskač—Chief Renewable Energy and Distribution Officer

Member of the Board of Directors

**in charge of the Renewable Energy and Distribution Division
Chief Executive Officer's deputy for Development**

Responsible for securing and developing opportunities in and for the operation and construction of renewable energy sources. Also responsible for supporting CEZ Group's mergers and acquisitions, for the coordination of all segments abroad, and for the efficient operation of country management units.

He manages the matters of subsidiaries operating renewable energy sources and companies oriented toward securing and developing opportunities in "new energy" (that is, clean and smart technologies, innovative business models, and renewables) and subsidiaries in the field of electricity distribution to end-use customers and distribution network maintenance and repair. He is also responsible for managing the matters of the power plant in Varna, Bulgaria, and companies in Turkey.

Pavel Cyrani—Chief Sales Officer

Member of the Board of Directors

in charge of the Sales Division

Responsible for sales of electricity, gas, and other commodities and services to end-use customers (households, small and large corporate customers, and public administration), including customers' comprehensive energy needs. Responsible for trading in (sales and purchases of electricity, gas, and ancillary services) and for trading (commodity trading in Europe).

Also responsible for the management of projects to prepare the construction of new units at the Dukovany and Temelín nuclear power plants.

He manages the matters of subsidiaries relating to the sales of electricity, natural gas, and energy services to end-use customers and the construction of large energy projects and is responsible for the management of trade agencies abroad.

Michaela Chaloupková—Chief Administrative Officer

Member of the Board of Directors

in charge of the Administrative Division

Responsible for procurement and sales (other than the procurement and sales of electricity, heat, certain process materials, and financial services). Also responsible for the management of human resources and activities relating to corporate social responsibility and the performance of the ombudsman function.

Ladislav Štěpánek—Chief Generation Officer

Member of the Board of Directors

in charge of the Generation Division

Responsible for traditional electricity generation and provided related ancillary services, for the generation, distribution, and sales of heat, and for the development of generating and generation-related assets.

Responsible for handling the construction of new and renovation of existing conventional units in Czechia and for technical support to investment and acquisition projects abroad. Also responsible for the preparation of existing nuclear facilities for operation extension.

Responsible for the safe operation of nuclear and non-nuclear facilities.

He manages the matters of subsidiaries relating to electricity generation and associated service activities; heat generation, distribution and sales; power plant upgrades and construction; and research on nuclear energy.

Supplementary Information on Persons With Executive Authority at ČEZ, a. s.

Information on Cash and In-Kind Income (Gross Amounts), Loans, and Securities

	Unit	Supervisory Board	Audit Committee	Board of Directors
Information on Cash and In-Kind Income				
Base salary ¹⁾	CZK thousands	2,294	-	-
Bonus linked to Company performance and wage compensation ¹⁾	CZK thousands	90	-	55,332
Remuneration to members of Company governing bodies	CZK thousands	7,677	730	57,192
2015 bonus paid to members of governing bodies	CZK thousands	-	-	-
Severance pay and cash settlement	CZK thousands	-	-	-
Other cash income	CZK thousands	6,677	-	8,450
Of which: Supplementary pension contributions ¹⁾	CZK thousands	62	-	94
Endowment life insurance	CZK thousands	6,557	-	8,073
Use of employee personal account ¹⁾	CZK thousands	54	-	100
Life jubilee bonus ¹⁾	CZK thousands	-	-	-
Domestic business travel reimbursement above limit	CZK thousands	-	-	5
International business travel reimbursement above limit	CZK thousands	3	-	124
Other cash income	CZK thousands	-	-	55
Other in-kind income ¹⁾	CZK thousands	660	-	2,373
Of which: Company car for business and personal use	CZK thousands	654	-	2,340
Mobile phone for business and personal use	CZK thousands	6	-	34
Mobility program	CZK thousands	-	-	-
Other in-kind income	CZK thousands	-	-	-
Income from entities controlled by the issuer	CZK thousands	2,226	-	14,738
Of which: Remuneration to members of governing bodies of controlled companies	CZK thousands	1,278	-	14,362
Endowment life insurance	CZK thousands	129	-	376
Company car for business and personal use ¹⁾	CZK thousands	-	-	-
Other cash and in-kind income	CZK thousands	819	-	-
Information on Loans and Securities				
Loans originated by the issuer	CZK thousands	-	-	-
Loans originated by entities controlled by the issuer	CZK thousands	-	-	-
Number of options held at December 31, 2015	Pcs	-	-	1,820,000
Average option price	CZK	-	-	578.61
Number of options vested in 2016	Pcs	-	-	550,000
Average option price	CZK	-	-	427.86
Number of shares on which option was exercised	Pcs	-	-	-
Average option price	CZK	-	-	-
Resulting in-kind income taxed	CZK millions	-	-	-
Number of shares on which option expired or was otherwise terminated	Pcs	-	-	390,000
Average option price	CZK	-	-	662.72
Number of options held at December 31, 2016	Pcs	-	-	1,980,000
Average option price	CZK	-	-	520.17
Number of Company shares held by members of governing bodies and other persons with executive authority at December 31, 2016 ²⁾	Pcs	2,250	476	18,471

¹⁾ Cash and in-kind income of Supervisory Board members in these items include income from their present and/or past employment with the Company.

²⁾ Figures are for all persons who were members of governing bodies at December 31, 2016.

**Convictions for Fraud-Related Crimes
During the Past Five Years**

No member of the Supervisory Board, Audit Committee, or Board of Directors has been convicted of a fraud-related crime.

**Insolvency Proceedings, Receiverships,
and/or Liquidations During the Past Five Years**

Ondřej Landa has been a member and the Vice-Chairman of the Supervisory Board of IP Exit, a.s., in bankruptcy, since June 9, 2010. The bankruptcy was declared already on February 5, 2004.

Radek Neužil was the Managing Director of Daňová akademie s.r.o. in 2011–2012. The company went into liquidation in 2013; the liquidation was successfully completed and the company was struck off the Commercial Register as at April 30, 2016.

Martin Novák was a member of the Board of Directors of Bytové družstvo Vyhlička, družstvo v likvidaci (Vyhlička Housing Cooperative, in liquidation) in 2010–2013. The liquidation was successfully completed.

Jan Vaněček was a member and Vice-Chairman of the Supervisory Board of CP Praha s.r.o., v likvidaci (in liquidation) in 2011–2016. The company was wound up with liquidation as at August 16, 2016 based on a decision of the receiver of CP Praha s.r.o., acting in lieu of a Shareholders' Meeting, dated May 18, 2016.

**Official Public Charges or Penalties by Statutory Governing
Bodies or Regulatory Bodies (Including Designated
Professional Bodies) and/or Disqualification by Court
From Service on the Administrative, Managing, or
Supervisory Bodies of Any Issuer or Service in the
Management or Performance of Activities of Any Issuer
in at Least the Past Five Years**

No member of the Supervisory Board, Audit Committee, or Board of Directors has been publicly charged or disqualified from service by court.

**Information on Employment or Other Contracts With
the Issuer and/or Its Subsidiaries Along With a Description
of Benefits Received Upon Termination of Employment**

There are no such contracts.

Potential Conflicts of Interest

No person with executive authority has any conflict of interest in connection with their role at ČEZ.

**Agreements With Major Shareholders or Other Entities on
Selection for a Current Position on the Supervisory Board,
Audit Committee, or the Board of Directors**

There is no prior agreement on the selection of a person with executive authority for their current position. Members of the Supervisory Board and the Audit Committee are elected and removed by a Shareholders' Meeting.

**Agreement With the Issuer Concerning Restrictions
on Disposal of Its Securities**

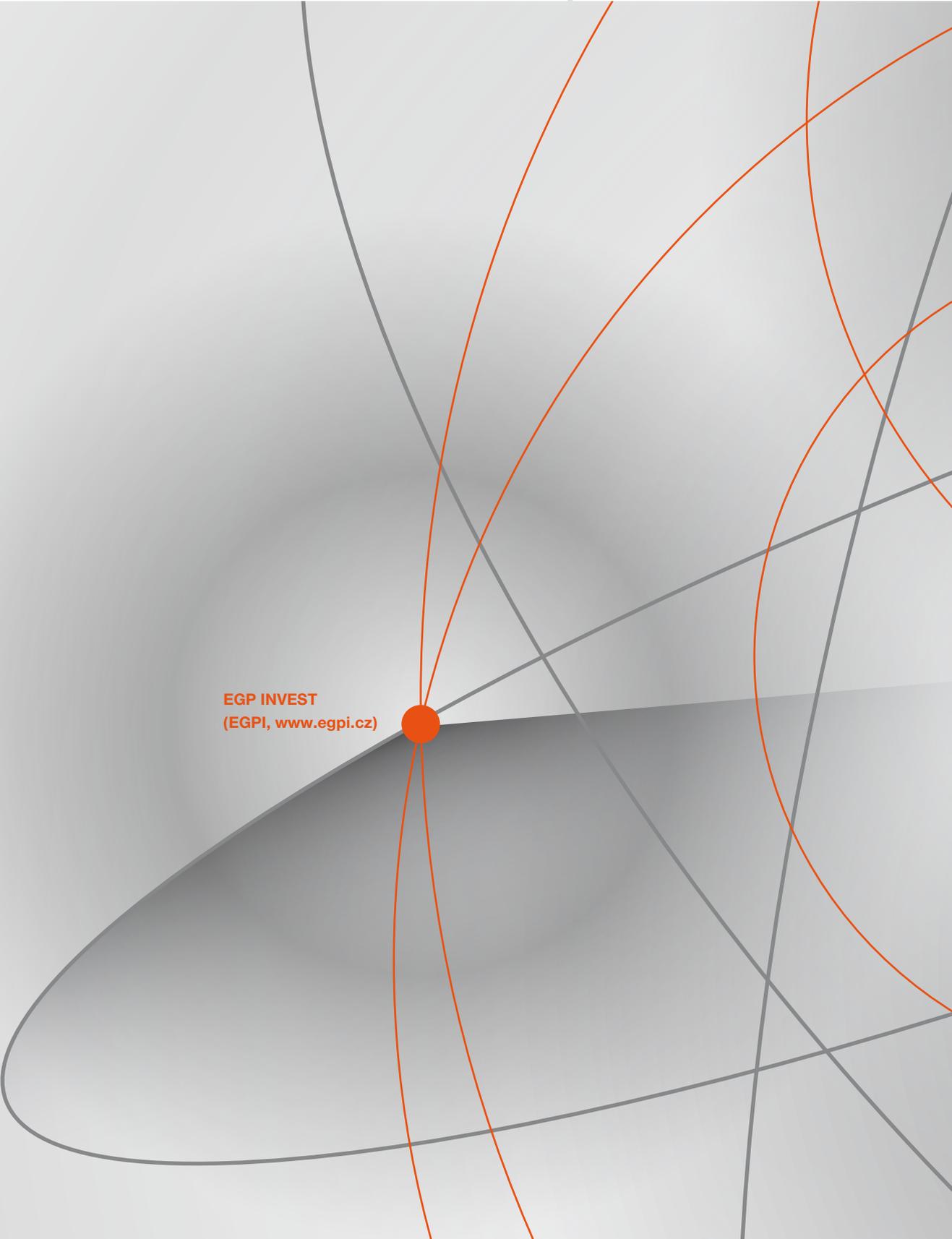
Under their stock option agreement, or a stock option agreement forming an appendix to their contract on service on the Company's Board of Directors, beneficiaries of the stock option plan having exercised an option must keep on their account with the central registrar of securities as many shares of Company stock obtained in the exercise as corresponds to 20% of the gain realized on the exercise date until the termination of the stock options plan.

Appreciation of the shares on a public market on the exercise date may not exceed 100% over the exercise price applicable to the option grant in question. Options may be exercised no earlier than two years and no later than by the middle of the fourth year after the grant date.

Members of Company bodies as well as persons having access to inside information are informed by ČEZ's central controlling of time limits (and any modifications thereto) applicable to the prohibition on trading in ČEZ shares pursuant to relevant provisions of the European Union's Regulation No. 596/2014.

ÚJV Řež

ÚJV Řež is a top-level facility working for the energy sector and industry. It is engaged in designing and engineering activities, support for safe and efficient operations of nuclear and conventional power plants, and fuel cycle chemistry and provides services for the management of radioactive and other specific waste. It is a major supplier of radiopharmaceuticals.



EGP INVEST
(EGPI, www.egpi.cz)

Jádropedia, a nuclear encyclopedia of terms and abbreviations from the field of nuclear energy, physics, and chemistry, serves the general public. ÚJV Řež provides the encyclopedia in Czech on its website.

There are only a few facilities worldwide providing as comprehensive services in the field of energy, especially nuclear energy, as ÚJV Řež. Did you know that the company participated in the removal of spent, highly enriched fuel from research reactors in fifteen countries on three continents from 2007 to 2016? This is part of the Global Threat Reduction Initiative (GTRI). ÚJV Řež is now—until 2020—working on the removal of spent nuclear fuel from research nuclear reactors in Nigeria, Syria, Iran, and Pakistan.

ENERGOPROJEKT PRAHA

**Centrum výzkumu Řež
(Řež Research Center,
www.cvrez.cz)**

**Ústav aplikované mechaniky Brno
(Brno Institute of Applied Mechanics,
www.uam.cz)**

**Výzkumný a zkušební ústav Plzeň
(Pilsen Research and Testing Institute,
www.vzuplzen.cz)**

Concern Management

ČEZ, as the managing entity, leads a concern, which also includes the following managed entities:

Areál Třeboradice, ČEZ Bohunice, ČEZ Distribuce, ČEZ Distribuční služby, ČEZ Energetické produkty, ČEZ Energetické služby, ČEZ ENERGOSERVIS, ČEZ ESCO, ČEZ ICT Services, ČEZ Inženýring, ČEZ Korporátní služby, ČEZ Obnovitelné zdroje, ČEZ Prodej, ČEZ Teplárenská, ČEZ Zákaznické služby, Elektrárna Dětmarovice, Elektrárna Dukovany II, Elektrárna Mělník III, Elektrárna Počeradý, Elektrárna Temelín II, Energetické centrum, Energocentrum Vítkovice, Energotrans, MARTIA, PRODECO, Revitrans, Severočeské doly, SD - Kolejová doprava, and Telco Pro Services.

ČEZ Distribuce and ČEZ Energetické služby are subjected to concern management in full compliance with all requirements of unbundling rules resulting from the Energy Act and Directive 2009/72/EC of the European Parliament and of the Council.

The common interest of CEZ Concern members is promoting and fulfilling concern interests on a long-term basis through the exercise of unified concern management. As part of concern management, the managing entity may give binding instructions to the managed entities. General and operating concern tools may be issued to that end. General concern tools are CEZ Group's common documents and the managing entity's internal documents that are also intended for managed entities. Operating concern tools are concern instructions given on an ad hoc basis.

Fundamental documents having concern-wide application are Concern Management Policies governing primarily areas and activities that should be subject to concern management, as well as concern interests. Apart from their common general part, Concern Management Policies are always structured and published for respective areas under the authority of individual members of the ČEZ Board of Directors.

Under concern management, binding instructions can be given to managed entities if the following conditions are met:

- The instruction is in line with declared Concern interests
- It is not unlawful to execute the instruction
- The execution of the instruction will not render the managed entity bankrupt
- Any detriment to the managed entity resulting from the execution of the instruction will be in the interest of ČEZ or another member of the Concern
- The managed entity was or will be compensated within the Concern for any detriment resulting from the execution of the instruction with adequate consideration or other demonstrable benefits arising from membership in the Concern

Corporate Governance Compliance

Our corporate governance follows the recommendations of the Corporate Governance Code based on the OECD Principles (2004); ČEZ took part in the drafting of the Code in Czechia and complies with its provisions in all material respects. The Code can be found on the website of the Ministry of Finance of the Czech Republic at: <http://www.mfcr.cz/cs/archiv/transformacni-institute/agenda-byvaleho-fnm/sprava-majetku/kodex-spravy-a-rizeni-spolecnosti-corpor/kodex-spravy-a-rizeni-spolecnosti-zaloze-14620>.

The Company puts much emphasis on respecting all statutory rights of shareholders, including the equal treatment of shareholders in a similar position. In compliance with the Company's bylaws, decisions on all fundamental corporate changes are taken by shareholders at a Shareholders' Meeting. The Company strictly adheres to the principle of disclosure and transparency, not only in relation to convening a Shareholders' Meeting but also in relation to informing of corporate events, including financial results, business plans, and relations with related parties. The Company follows the principle of timely and accurate disclosure of material information. Members of the Company's governing bodies act with due care, thoughtfully, knowledgeably, and in compliance with the law. The authority and responsibility of each governing body of the Company are clearly defined in the Company's bylaws. More detailed information on the Company's governing bodies, a description of how they are established, their authority and current composition, a description of how their members are remunerated, and a list of Supervisory Board committees can be found in the chapter on Governing Bodies of ČEZ, a. s. in this Annual Report.

Where the Code is outdated, the Company follows the rules stipulated by applicable law, in particular the Business Corporations Act, Civil Code, Corporate Criminal Liability Act, and Capital Market Undertakings Act. The Company also respects the principles of good corporate governance set forth at European Union level.

As an issuer of securities admitted to trading on the Warsaw Stock Exchange (WSE), ČEZ is required to comply with the Code published by that stock exchange. The text of the current WSE Code in Polish and English can be found on the Warsaw Stock Exchange's website at: https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf and https://static.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf.

In its activities, ČEZ takes into account all material rules of the WSE Code; nevertheless, ČEZ's practices departed from the provisions of the WSE Code in the following cases in 2016 for the reasons set out below:

- Concerning the replacement of the audit firm that audits its financial statements, the Company adheres to the applicable Auditors Act, No. 93/2009 Sb., which regulates these matters comprehensively; therefore, the Company deems it unnecessary to set rules on the matter in an internal directive that would have to be published on the Company's website, as required by the WSE Code.
- As yet, the Company does not pursue a diversity policy applicable to members of the Company's upper management and governing bodies as required by the Code; however, no direct or indirect discrimination is allowed; each applicant's education, expertise, qualifications, and skills are the determinant factors in hiring; ČEZ is also one of the first signatories of the European Diversity Charter and does not debar any applicants, as results from the diversity policy principles.
- The Company does not publish explanations provided by it at a shareholder's request on the Company's website; such explanations are included in Shareholders' Meeting minutes, which are available to shareholders upon request.
- The Company does not publish any audio/video recording of its Shareholders' Meeting; detailed minutes of the Shareholders' Meeting are available to shareholders upon request.
- The WSE Code makes the participation of Board of Directors members in another company's bodies conditional on the Supervisory Board's approval; pursuant to applicable law, members of the Company's Board of Directors may not be members of the statutory governing body of a company with an identical or similar line of business; in addition, members of the Company's Board of Directors have an obligation to disclose any conflict of interest to other members of the Board of Directors, the Supervisory Board, or a Shareholders' Meeting.
- The Company has no means to ensure compliance with the WSE Code's requirement that the chairman of the Audit Committee and at least 2 members of the Supervisory Board be independent, as members of the Audit Committee and the Supervisory Board are elected by a Shareholders' Meeting and candidates are proposed by shareholders; nevertheless, EU and Czech legislation demands that the chairman of the Audit Committee be independent.
- The Company has not set up internal processes for Supervisory Board members' providing a declaration of independence; nonetheless, the Company has established measures to prevent a conflict of interest; members of the Supervisory Board have an obligation to disclose any conflict of interest to other members of the Supervisory Board and the Shareholders' Meeting pursuant to applicable law.
- The Supervisory Board's report for the Shareholders' Meeting meets requirements for its contents specified by the WSE Code, with the exception: of an evaluation of the Company's system of internal controls and an evaluation of its sponsorship activities, which, however, the Supervisory Board is kept informed of; an evaluation of the fulfillment of the obligation to provide information concerning the Company's compliance with corporate governance principles, which, however, the Shareholders' Meeting is informed of by the Company's Board of Directors; and compliance with the requirement for Supervisory Board members' independence. The Supervisory Board's report contains all information required by law, which the Company deems sufficient.
- The Company does not meet the WSE Code's requirement of providing a public real-time broadcast of its Shareholders' Meeting, because the Company's policy, which is in compliance with applicable law, is based on allowing only its shareholders to attend its Shareholders' Meetings.
- Representatives of the mass media can attend a Shareholders' Meeting, as required by the WSE Code, but the Company's bylaws require that their attendance be approved by the Shareholders' Meeting unless they are Company shareholders.
- Dividend payment is always dealt with by the Company on an ad hoc basis, in a decision of a Shareholders' Meeting; the WSE Code's requirement that the period between the record date and the dividend payment date be no longer than 15 days cannot be met for technical reasons concerning dividend payment.
- The WSE Code's requirement that the Supervisory Board grant its approval to making a significant agreement between the Company on the one part and a shareholder having a share in voting rights of 5% or more or a related party on the other part is not met; nonetheless, the Supervisory Board reviews the related parties report, which includes a list of the Company's contracts with related parties, including the Company's majority shareholder.
- The Company meets the WSE Code's requirement concerning information on the Company's remuneration policy by means of its annual reports, which include information on remuneration provided to the Board of Directors; this is in compliance with applicable law, which the Company deems sufficient.

Approach to Risks in Relation to Financial Reporting

Pursuant to the Accounting Act, ČEZ keeps its books in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Other CEZ Group companies, regardless of the accounting standard they use to prepare their individual financial statements, also report all data for CEZ Group's consolidation purposes according to IFRS. Unified accounting policies followed at ČEZ and selected subsidiaries are defined in the CEZ Group Accounting Standards in full compliance with generally applicable accounting standards. The standards are further supplemented with a set of auxiliary guidelines focusing in more detail on specific areas of the accounting process. Consolidation rules and other general principles applicable to the preparation of CEZ Group consolidated financial statements are specified in the Rules of Consolidation.

As a rule, any accounting document in CEZ Group may only be entered into the books on the basis of approved supporting documents. Approval takes place primarily online, through the approval process in the enterprise information system. The scope of each approver's signatory authority is set forth in the relevant company's internal regulations.

In terms of organization, the accounting function is separated from the process of managing business partners, including the administration of bank accounts and payment of posted liabilities. This rules out any possibility of a single employee entering a business partner in the database, posting an amount payable to that partner, and issuing a payment order. Liabilities are paid only when approved by an employee authorized to carry out the business transaction and an employee authorized to confirm actual performance.

Only users with appropriate privileges have access to the accounting system. Access privileges for the system are granted by means of a software application and subject to approval by a superior and a system administrator.

Access privileges are granted according to each employee's position. Only employees of the relevant accounting department have privileges for active operations in the accounting system. All logins to the accounting system are logged in a database and can be searched retroactively. The accounting system allows identifying the user that created, changed, or reversed any accounting record. Taking an inventory of assets and liabilities is an integral part of the system of accounting controls. The inventory-taking process verifies whether all predictable risks and potential losses associated with the assets have been reflected in the accounts, whether the assets are properly protected and maintained, and whether records of assets and liabilities are true.

The correctness of the accounts and financial statements is checked by the accounting unit on an ongoing basis. In addition, it is checked by an independent auditor, who audits individual and consolidated financial statements as at the balance sheet date, that is, December 31 of a given year.

Selected accounting areas are also subject to internal audits to verify whether the procedures used are in compliance with applicable law and the Company's internal regulations. Where discrepancies are found, corrective measures are proposed immediately and implemented as soon as possible.

The effectiveness of ČEZ's system of internal controls, the process of compiling ČEZ's individual financial statements and CEZ Group's consolidated financial statements, and the process of auditing financial statements are also reviewed by the Audit Committee, which conducts these activities as a Company governing body without prejudice to the responsibilities of members of the Board of Directors and the Supervisory Board.

Summary Report Pursuant to Section 118(9) of the Capital Market Undertakings Act, on Certain Aspects of the Equity of ČEZ, a. s.

The summary explanatory report pursuant to Section 118(9) of the Capital Market Undertakings Act is based on the requirements set forth in Section 118(5)(a) through (k) of said Act.

a) Information Concerning the Structure of the Company's Equity

Equity Structure as at December 31, 2016

Equity	CZK
Stated capital	53,798,975,900
Treasury stock and treasury interests	(4,246,170,779)
Retained earnings and additional paid-in capital	151,144,993,352
Total equity	200,697,798,473

As at December 31, 2016, the Company's stated capital recorded in the Commercial Register totaled CZK 53,798,975,900. It consisted of 537,989,759 shares with a nominal value of CZK 100 each. The issue price of all shares had been paid up in full. All the shares had been issued as dematerialized bearer securities and had been admitted to trading on a European regulated market.

The Company's stated capital is divided exclusively into common shares, with no special rights attached. All of the Company's shares have been admitted to trading on the Prague Stock Exchange in Czechia and the Warsaw Stock Exchange in Poland.

b) Information Concerning Restrictions on the Transferability of Securities

The transferability of the Company's securities is not restricted.

c) Information Concerning Significant Direct and Indirect Shares in the Company's Voting Rights

As at December 31, 2016, the following entities were registered by the Central Securities Depository as having a share of at least 1% in the stated capital of ČEZ, a. s.:

- Czech Republic, represented by the Ministry of Finance of the Czech Republic, having a total share of 69.78% in the stated capital, i.e., 70.27% of voting rights
- Clearstream Banking S.A., having a share of 3.21% in the stated capital, i.e., 3.23% of voting rights
- State Street Bank and Trust Co., having a share of 1.37% in the stated capital, i.e., 1.38% of voting rights
- Chase Nominees Limited, having a share of 1.33% in the stated capital, i.e., 1.34% of voting rights
- NorTrust Nominees Limited, having a share of 1.21% in the stated capital, i.e., 1.22% of voting rights
- Brown Brothers Harriman Co., having a share of 1.05% in the stated capital, i.e., 1.05% of voting rights

These entities have rights pursuant to Section 365 et seq. of the Business Corporations Act.

It cannot be excluded that some of the aforementioned entities manage shares owned by third parties.

d) Information Concerning Owners of Securities With Special Rights, Including Description of Such Rights

No special rights are attached to any of the Company's securities.

e) Information Concerning Restrictions on Voting Rights

The voting right attached to the Company's shares is not restricted. Pursuant to Section 309(1) of the Business Corporations Act, the Company does not exercise the voting rights attached to treasury shares that it acquired on the basis of a Shareholders' Meeting resolution. As at December 31, 2016, ČEZ held 3,755,021 treasury shares corresponding to 0.70% of its stated capital.

f) Information Concerning Agreements Between Shareholders That May Impede the Transferability of Shares or Voting Rights

ČEZ is not aware of any agreements between its shareholders that might result in impeding the transferability of its shares or voting rights.

g) Information Concerning Special Rules Specifying the Election and Removal of Members of the Statutory Governing Body and Amendment to the Company's Bylaws

Pursuant to the Company's bylaws, members of the Board of Directors are elected and removed by the Supervisory Board by a majority of the votes of all its members. Bylaws may be amended by a Shareholders' Meeting by a qualified, two-thirds majority of the votes of the shareholders present at the Shareholders' Meeting. No special rules specifying the election and removal of members of the statutory governing body and amendment to the Company's bylaws are applied.

h) Information Concerning Special Authority of the Company's Statutory Governing Body

The Company's Board of Directors has no special powers.

i) Information Concerning Significant Contracts Relating to Change in Control Over the Company as a Result of a Takeover Bid

ČEZ, a. s. has entered into significant contracts that will become effective, change, or expire if control over ČEZ changes as a result of a takeover bid. These are the 7th, 12th, 13th, 14th, 19th, 20th, 21st, 24th, and 30th Eurobond issues; the 1st, 2nd and 4th Namensschuldverschreibung issues; the 1st and 2nd US bond issues; an issue of convertible bonds (issued on February 4, 2014); the ČEZ, a. s. Promissory Note Issue Program; loan agreements with the European Investment Bank for EUR 100 million made in 2010, for EUR 180 million made in 2011, for EUR 100 million made in 2012, for EUR 200 million made in 2014, and for EUR 200 million made in 2010 (originally between the European Investment Bank and a Romanian subsidiary) and assumed by ČEZ, a. s. in 2016. In these contracts, the counterparty would be entitled, but not required, to demand early repayment should there be a change in the controlling entity of ČEZ.

At the same time, however, the right to early repayment may only be exercised if Standard & Poor's or Moody's publicly declares or notifies ČEZ in writing that it has downgraded ČEZ's existing credit rating due to, in full or in part, the change in controlling entity. Downgrading the existing credit rating is defined as any change from investment grade to noninvestment grade, any downgrade of original noninvestment grade, or nondetermination of investment grade if no rating was given at all. Said downgrading would have to take place in the period from the public disclosure of the step that could result in change in the controlling entity to 180 days after the announcement of the change in the controlling entity. The counterparty would not be allowed to exercise its right to early repayment if, following the actual change in the controlling entity, the credit rating agency reevaluated its position and restored ČEZ's investment grade or original noninvestment grade rating within the period defined above. The contractual provisions concerning a change in control over ČEZ should be seen in the context of the credit ratings of ČEZ, a. s., which in 2016 were A- (with a stable outlook) by Standard & Poor's and Baa1 (with a stable outlook) by Moody's, that is, 4 and 3 grades, respectively, above the credit rating agencies' noninvestment-grade ratings. Said change-of-rating condition does not apply to the loan agreements with the European Investment Bank, worth EUR 780 million in total, under which the counterparty's right becomes effective as soon as control over ČEZ, a. s. changes.

j) Information Concerning Contracts Binding the Company in Relation to a Takeover Bid

ČEZ has not entered into any contracts with members of its Board of Directors or its employees in which the Company would undertake to provide performance in case their service or employment is terminated in relation to a takeover bid.

k) Information Concerning Programs That Allow Acquiring the Company's Corporate Securities

Remuneration of top managers at ČEZ includes an incentive program that allows them to acquire Company shares. Members of the Board of Directors and selected managers were/are entitled to options on the Company's common shares under the conditions set forth in a stock option agreement; for members of the Board of Directors, such stock option agreements for appendices to their service contracts. Under the stock options rules, approved by the Shareholders' Meeting in May 2008, members of the Board of Directors and selected managers receive options on a certain number of Company shares every year as long as they remain in office. The exercise price per share is determined as the weighted average of prices at which Company shares were traded on the regulated market in Czechia during one month before the annual grant date. Stock option beneficiaries may call on the Company to transfer shares up to the number corresponding to a given option grant, no earlier than two years and no later than by the middle of the fourth year after every option grant. The stock options are restricted in that the appreciation of the Company's shares may be no more than 100% over the exercise price and the option beneficiary must keep on their asset account as many shares of Company stock obtained under that call as corresponds to 20% of the profit realized on the call date until the termination of the stock options plan. In 2016, there were five persons among employees and members of the Board of Directors who owned shares of stock obtained through the stock option plan. Only one person exercised their right to attend and vote at the Shareholders' Meeting of ČEZ as a Company shareholder. All the persons exercised their right to dividend. One person exercised their right to submit a request for explanation and receive a response. The above-mentioned persons did not exercise any other rights associated with the ownership of Company shares. According to information submitted to the Company for the purposes of preparing this report, no beneficiary of the stock option plan transferred any separately transferable right attached to their shares to any third party.

CEZ Group Strategic Objectives

Trends in the energy market persist and keep growing in importance. On the electricity generation side, there is the reinforcing trend of generation gradually shifting from conventional units to renewables and other zero-emission facilities. On the end-use customer side, comprehensive, decentralized solutions and custom-tailored products are increasingly coming to the fore. Both these trends bring about an ever-growing need for flexibility in generating facilities and transmission and distribution grids.

CEZ Group's strategy adopted in 2014 reacts adequately to these trends. CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its vision is to bring innovations for resolving energy needs and to help improve quality of life.

To fulfill our strategy, CEZ Group has defined three strategic priorities, namely:

- I. Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century
- II. Offer customers a wide range of products and services addressing their energy needs
- III. Strengthen and consolidate our position in Europe

Under these three strategic priorities, CEZ Group concentrates primarily on the following activities:

- I. **Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century**
 - Focus on operational efficiency as a prerequisite for further existence in both conventional and new energy, while operational safety remains an absolute priority
 - Ensure the long-term operation of the Dukovany Nuclear Power Plant and prepare well for ensuring the long-term operation of the Temelín Nuclear Power Plant
 - Phase out older condensing generating units
 - Develop new units projects at Temelín and Dukovany depending on changes in the Czech state's attitude to nuclear energy development
 - Continually improve the efficiency and flexibility of distribution grids

- II. **Offer customers a wide range of products and services addressing their energy needs**

- Achieve the top level in electricity and gas sales and customer care
- Develop additional products and services and leverage synergies with energy commodities
- Launch new business models—from equipment deliveries to electricity generation and supply at the customer's point of consumption, including financing and related services
- Invest in early opportunities and technologies to allow CEZ Group to establish promising positions in the future energy environment
- Prepare distribution grids for operation under the conditions of increasingly decentralized generation

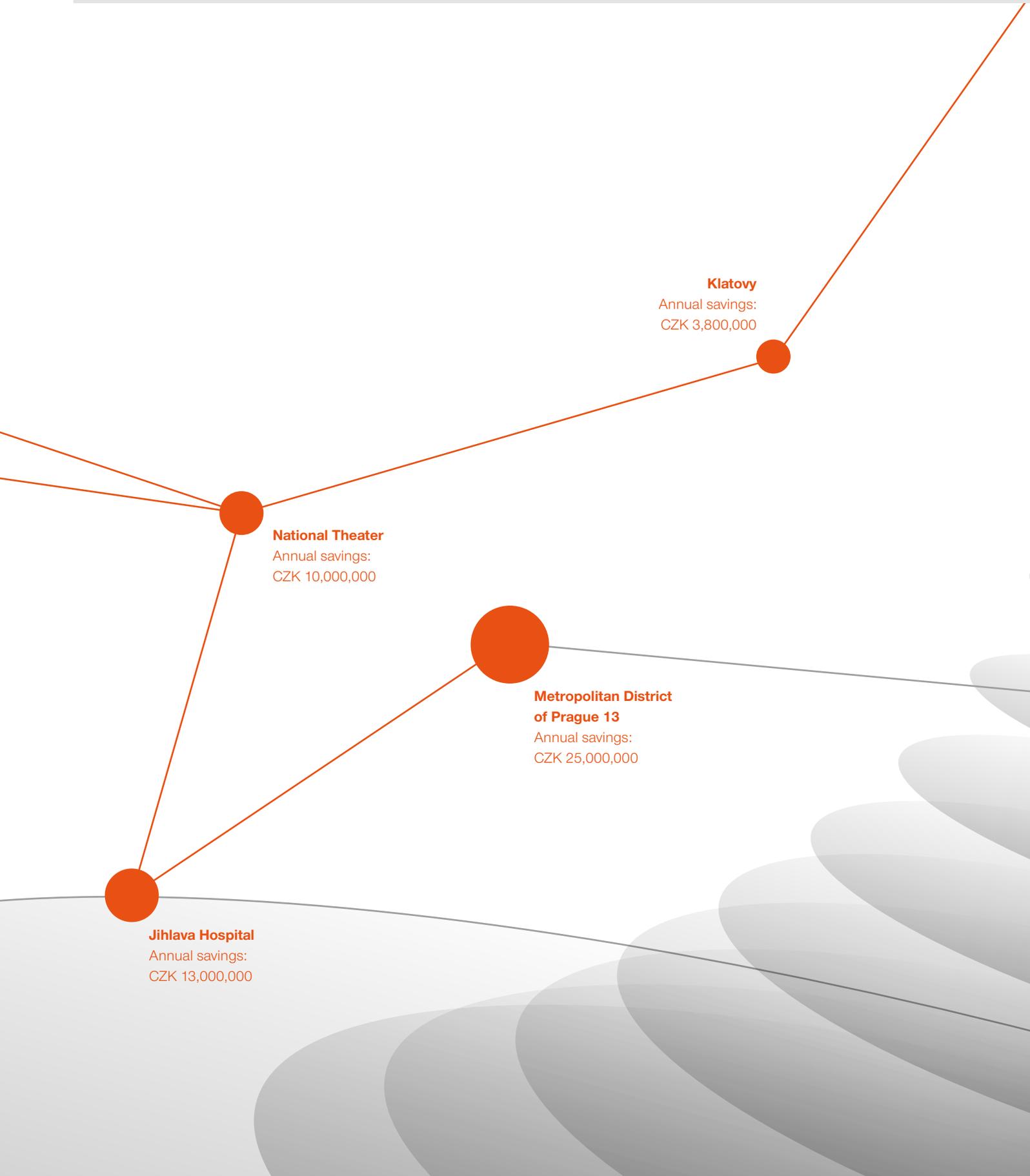
- III. **Strengthen and consolidate our position in Europe**

- Strive to acquire assets and companies in the distribution, renewables, and conventional segments; sales companies that deliver energy and related products to end-use customers; and companies developing new products and services that are promising from the perspective of future decentralized energy
- Optimize our capital and ownership structure, possibly divesting selected assets in order to reduce risk exposure in selected regions
- Focus on regions with a stable regulatory environment

CEZ Group anticipates further investments in, most importantly, decentralized solutions and regulated and other network industries, while also analyzing potential opportunities in conventional electricity and heat generation assets in Europe. In renewables, CEZ Group has actively entered the German market with wind farm acquisitions, opening the door to additional major opportunities in this highly competitive market. In addition to Germany, its chief target countries for expansion in renewable energy sources are France and the United Kingdom. Bolstering segment management by creating an Operations team and a Development team with effect from January 1, 2016 proved successful in 2016. The Operations team focuses on efficient use of CEZ Group's traditional energy assets, mining, and supporting services, maximizing the utilization of existing assets. The Development team is an umbrella team for renewables, decentralized energy, and distribution and sales activities and is the basis for CEZ Group's future growth and achievement of its ambitious strategic goals.

ENESA

ENESA is a Czech provider of energy services. Its main purpose is developing and implementing EPC (Energy Performance Contracting) projects—energy services with guaranteed performance.



Since the very beginning of its existence, the company has been engaged in the conceptual design and implementation of EPC projects, EPC project financing, and energy consulting. As the company developed, so did the conception of its projects. Today, they inherently involve—besides the preparation and execution of investment measures for energy savings—long-term energy management for the company's customers.

During the ten years of its existence, the company has delivered projects for energy saving measures, including energy management systems, for 205 buildings. With total investments exceeding CZK 867 million, the projects saved customers over CZK 616 million in operating costs by the end of 2015, and the savings keep growing.

Pisek
Annual savings:
CZK 2,500,000

**Czech Philharmonic,
Rudolfinum Building**
Annual savings:
CZK 2,500,000

Prague Congress Center
Annual savings:
CZK 21,000,000

Report on Operations

CEZ Group Financial Performance

As at December 31, 2016, the consolidated CEZ Group comprised a total of 125 companies, with 112 companies fully consolidated and 13 associates and joint ventures consolidated using the equity method.

Consolidated CEZ Group as at December 31, 2016

The companies of the consolidated entity of CEZ Group are newly divided into six operating segments starting from 2016. The change to the segments is described in Note 34 of the Notes to Financial Statements included in this Annual Report.

Generation—Traditional Energy

ČEZ, a. s.
Areál Třeboradice, a.s.
CEZ Chorzów S.A.
CEZ Skawina S.A.
CEZ Srbija d.o.o.
CEZ Towarowy Dom Maklerski sp. z o.o.
CEZ Trade Romania S.R.L.
ČEZ Teplárenská, a.s.
Elektrárna Dětmárovice, a.s.
Elektrárna Dukovany II, a. s.
Elektrárna Mělník III, a. s.
Elektrárna Počeradý, a.s.
Elektrárna Temelín II, a. s.
Elektrárna Tisová, a.s.
Energetické centrum s.r.o.
Energocentrum Vítkovice, a. s.
Energotrans, a.s.
TEC Varna EAD
Tepelné hospodářství města Ústí nad Labem s.r.o.
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.*
AK-EL Yalova Elektrik Üretim A.S.*
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.*
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.*
Akenerji Elektrik Üretim A.S.*
Egerner Elektrik Üretim A.S.*

Generation—New Energy

A.E. Wind S.A.
Baltic Green I sp. z o.o.
Baltic Green II sp. z o.o.
Baltic Green III sp. z o.o.
Baltic Green IV sp. z o.o.
Baltic Green V sp. z o.o.
Baltic Green VI sp. z o.o.
Baltic Green VII sp. z o.o.
Baltic Green VIII sp. z o.o.
Baltic Green IX sp. z o.o.
Baltic Green X sp. z o.o.
Baltic Green Construction sp. z o.o.
Bara Group EOOD
CEZ Erneuerbare Energien Beteiligungs GmbH
CEZ Erneuerbare Energien Verwaltungs GmbH
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ OZ uzavřený investiční fond a.s.
ČEZ Recyklace, s.r.o.
Eco-Wind Construction S.A.
Elektrownie Wiatrowe Lubiechowo sp. z o.o.
Farma Wiatrowa Leśce sp. z o.o.
Farma Wiatrowa Wilkolaz-Bychava sp. z o.o.
Free Energy Project Oreshets EAD
M.W. Team Invest S.R.L.
Mega Energy sp. z o.o.
Ovidiu Development S.R.L.
TMK Hydroenergy Power S.R.L.
Tomis Team S.A.
Windpark Baben Erweiterung GmbH & Co. KG
Windpark Badow GmbH & Co. KG
Windpark Cheinitz-Zethlingen GmbH & Co. KG
Windpark Fohren-Linden GmbH & Co. KG
Windpark Frauenmark III GmbH & Co. KG
Windpark Gremersdorf GmbH & Co. KG
Windpark Mengeringhausen GmbH & Co. KG
Windpark Naundorf GmbH & Co. KG
Windpark Zagelsdorf GmbH & Co. KG
wpd Windparks Lee GmbH
wpd Windparks Luv GmbH
wpd Windparks Nordwind GmbH
ČEZ Energo, s.r.o.*

Distribution

CEZ Distributie S.A.
CEZ Razpredelenie Bulgaria AD
ČEZ Distribuce, a. s.
ČEZ Distribuční služby, s.r.o.
Sakarya Elektrik Dagitim A.S.*

Mining

Severočeské doly a.s.
LOMY MOŘINA spol. s r.o.*

Sales

AZ KLIMA a.s.
AZ KLIMA SK, s.r.o.
CEZ Elektro Bulgaria AD
CEZ ESCO Polska sp. z o.o.
CEZ Magyarország Kft.
CEZ Slovensko, s.r.o.
CEZ Trade Bulgaria EAD
CEZ Trade Polska sp. z o.o.
CEZ Vanzare S.A.
ČEZ Energetické služby, s.r.o.
ČEZ ESCO, a.s.
ČEZ LDS s.r.o.
ČEZ Prodej, s.r.o.
ČEZ Solární, s.r.o.
ČEZ Zákaznické služby, s.r.o.
Energie2 Prodej, s.r.o.
ENESA a.s.
EVČ s.r.o.
Sakarya Elektrik Perakende Satis A.S.*

Other

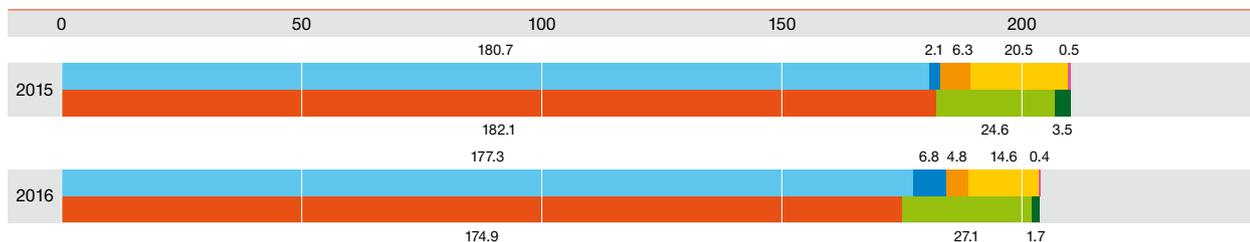
Centrum výzkumu Řež s.r.o.
CEZ Bulgaria EAD
CEZ Bulgarian Investments B.V.
CEZ Deutschland GmbH
CEZ ESCO Poland B.V.
CEZ ICT Bulgaria EAD
CEZ International Finance B.V.
CEZ MH B.V.
CEZ Poland Distribution B.V.
CEZ Polska sp. z o.o.
CEZ Produkty Energetyczne Polska sp. z o.o.
CEZ Romania S.A.
CEZ Ukraine LLC
ČEZ Bohunice a.s.
ČEZ Energetické produkty, s.r.o.
ČEZ ENERGOSERVIS spol. s r.o.
ČEZ ICT Services, a. s.
ČEZ Inženýring, s.r.o.
ČEZ Korporátní služby, s.r.o.
EGP INVEST, spol. s r.o.
Inven Capital, investiční fond, a.s.
MARTIA a.s.
PRODECO, a.s.
Revitrans, a.s.
SD - Kolejová doprava, a.s.
Shared Services Albania Sh.A.
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Telco Pro Services, a. s.
ÚJV Řež, a. s.
Akcez Enerji A.S.*
CM European Power International B.V.*
Jadrová energetická spoločnosť Slovenska, a. s.*

* Joint venture

CEZ Group's Financial Results

Changes in Revenues, Expenses, and Income

CEZ Group Net Income Breakdown (CZK Billions)



- Operating expenses
- Other income (expenses)
- Income tax
- Net income
- Profit or loss from commodity derivative trading
- Sales of electricity and related services
- Sales of gas, coal, heat, and other sales
- Other operating revenues

Earnings before depreciation and amortization, allowances, sales of property, plant, and equipment and intangibles, and write-off of canceled investments (EBITDA) decreased by CZK 7.0 billion year-on-year to CZK 58.1 billion. Net income (after-tax income) decreased by CZK 6.0 billion to CZK 14.6 billion.

Primary causes for the year-on-year decrease in net income included a decrease in the realization prices of generated electricity. The year-on-year comparison is also negatively affected by two major events in 2015—the refund of a portion of gift tax on emission allowances for 2011 and 2012 and the repayment of debts of the Railway Infrastructure Administration (Správa železniční dopravní cesty, SŽDC) to ČEZ Prodej from 2010.

A positive effect on the year-on-year comparison was produced by lower additions to impairments of property, plant, and equipment within CEZ Group and increased allocation of certificates for the Fântânele Vest and Cogeaalac wind farms.

Adjusted net income (see the calculation and definition of the indicator on pages 164 and 165 of the Annual Report) decreased by CZK 8.0 billion to CZK 19.6 billion: net income decreased by CZK 6.0 billion while extraordinary effects generally unrelated to ordinary financial performance in a given year were CZK 2.1 billion lower in 2016 than in 2015.

Operating revenues decreased by CZK 6.4 billion year-on-year, affected mainly by revenue from the sales of electricity and related services (CZK -7.2 billion), resulting primarily from lower realization prices of generated electricity, and by a decrease in other operating revenues (CZK -1.8 billion), primarily due to the repayment of the debts of the Railway Infrastructure Administration (Správa železniční dopravní cesty, SŽDC) from 2010 in 2015. By contrast, revenue from the sales of gas, coal, heat and other sales grew (CZK +2.5 billion) due to higher revenue from the sales of services and an increased amount of gas and heat sold.

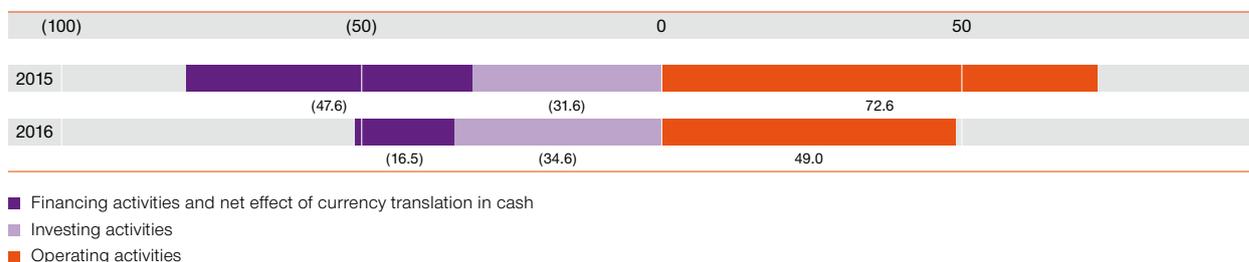
Operating expenses decreased by CZK 3.4 billion year-on-year, which is primarily attributable to lower additions to impairments of property, plant, and equipment and intangible assets, including goodwill amortization (CZK +4.6 billion), as well as lower expenditure on purchases of electricity and related services (CZK +2.6 billion). A positive year-on-year effect was produced by higher allocation of green certificates, which is included in the row Emission rights, net (CZK +1.2 billion) in the Statement of Income. On the other hand, a negative effect on the year-on-year comparison was produced by a change in the balance of other impairments and provisions (CZK -1.9 billion), higher personnel costs (CZK -1.4 billion), higher purchased services (CZK -1.3 billion), and higher depreciation and amortization (CZK -0.4 billion).

Other income (expenses) decreased net income by CZK 4.7 billion year-on-year, primarily due to the refund of a portion of gift tax on emission allowances for 2011 and 2012 in 2015 (CZK -3.8 billion), write-off of a portion of goodwill and additions to impairments of financial performance of joint ventures in Turkey (CZK -1.3 billion) in 2016, and revaluation of financial derivatives and foreign exchange rate gains and losses (CZK -0.5 billion). By contrast, a positive effect was produced by expenses on a repayments of issued bonds in 2015 (CZK +0.8 billion).

Income tax decreased by CZK 1.6 billion due to lower earnings before taxes.

Cash Flows

CEZ Group Cash Flows (CZK Billions)



Cash flows from operating activities decreased by CZK 23.6 billion year-on-year. There was a negative effect of change in working capital (CZK -12.1 billion), earnings before taxes adjusted for noncash operations decreased year-on-year (CZK -9.3 billion), and higher income tax paid (CZK -2.1 billion).

In year-on-year comparison, the negative change in working capital was caused primarily by other receivables and other payables (CZK -9.4 billion), emission allowances and color certificates (CZK -3.5 billion), and payables and receivables from derivatives including options (CZK -2.6 billion). A positive effect was produced by a year-on-year decrease in term deposits with more than 6-month maturity and liquid securities (CZK +2.2 billion), decrease in inventories of materials and fossil fuels (CZK +0.6 billion), and other working capital items (CZK +0.6 billion).

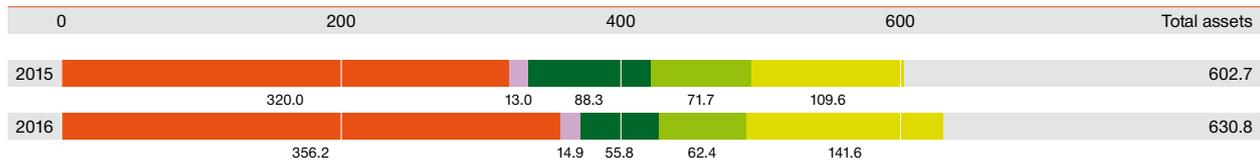
Cash used in investing activities increased by CZK 3.0 billion year-on-year primarily due to a year-on-year increase in additions to noncurrent financial assets (CZK -4.7 billion), primarily purchases of bank bonds, and a change in restricted financial assets (CZK -0.4 billion). The opposite effect was produced by lower investments in property, plant, and equipment and intangible assets, that is, CAPEX (CZK +1.3 billion) and higher proceeds from sales of noncurrent assets (CZK +0.6 billion).

Cash used in financing activities, including the net effect of currency translation in cash, decreased by CZK 31.1 billion year-on-year. The main cause was a year-on-year decrease in the repayment of and increase in proceeds from borrowings (CZK +31.5 billion).

Structure of Assets, Equity, and Liabilities

The value of CEZ Group's consolidated assets, equity, and liabilities increased by CZK 28.2 billion to CZK 630.8 billion in 2016.

Structure of CEZ Group Assets as at December 31 (CZK Billions)



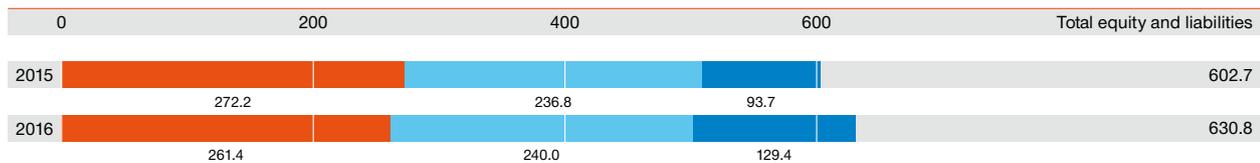
- Property, plant, and equipment, net
- Nuclear fuel, net
- Construction work in progress, net
- Other noncurrent assets
- Current assets

Noncurrent assets decreased by CZK 3.8 billion to CZK 489.3 billion. The value of property, plant, and equipment, nuclear fuel, and construction work in progress increased by CZK 5.5 billion. An increase in property, plant, and equipment, of CZK 36.2 billion net, and an increase in nuclear fuel inventories, of CZK 1.9 billion, were offset by a decrease of CZK 32.5 billion in construction work in progress, including advance payments, associated with putting completed investment projects into service.

A decrease in other noncurrent assets of CZK 9.3 billion was primarily due to the reclassification of MOL Nyrt. shares to current available-for-sale equity securities (CZK 9.4 billion). A negative effect was produced by a decrease in the value of investment in associates and joint ventures of CZK 3.9 billion, primarily due to low profit of joint ventures in Turkey, a decrease in long-term receivables from derivative trading of CZK 2.8 billion, and a decrease in other long-term receivables of CZK 1.1 billion. A positive effect on other noncurrent assets was produced by an increase in available-for-sale securities of CZK 4.7 billion, including purchased bonds worth CZK 4.0 billion, an increase in noncurrent intangible assets of CZK 1.8 billion due to certificates allocated for 2013 to 2015 in Romania, and an increase in restricted financial assets of CZK 1.0 billion.

Current assets increased by CZK 32.0 billion to CZK 141.6 billion in 2016. There was an increase of CZK 17.1 billion in receivables from derivative trading, including options; of CZK 10.3 billion in net receivables (primarily trade receivables and other receivables); of CZK 6.7 billion in liquid securities and short-term deposits, primarily due to the reclassification of MOL Nyrt. shares from other noncurrent assets; and an increase of CZK 0.7 billion in income tax receivables. By contrast, cash and cash equivalents decreased by CZK 2.3 billion and other items in current assets decreased by CZK 0.5 billion, primarily due to a decrease in inventories.

Structure of CEZ Group Equity and Liabilities as at December 31 (CZK Billions)



- Equity
- Long-term liabilities
- Current liabilities

Equity, including noncontrolling interests, decreased by CZK 10.8 billion to CZK 261.4 billion due to awarded dividends (excluding dividends on treasury shares), decreasing it by CZK 21.4 billion, and due to other comprehensive income, decreasing it by CZK 4.1 billion. By contrast, net income generated in 2016 increased equity by CZK 14.6 billion. Other comprehensive income decreased due to cash flow hedging by CZK 9.2 billion and due to currency translation differences amounting to CZK 1.3 billion. By contrast, other comprehensive income was increased by available-for-sale securities, by CZK 4.6 billion, and by deferred income tax associated with other comprehensive income, by CZK 1.7 billion.

Long-term liabilities increased by CZK 3.2 billion to CZK 240.0 billion primarily due to an increase of CZK 5.5 billion in nuclear provisions, CZK 4.0 billion in long-term bank loans, and CZK 3.8 billion in long-term derivative liabilities. The increase in long-term liabilities was partially offset by a decrease of CZK 7.3 billion in issued bonds, a decrease of CZK 1.8 billion in deferred tax liability, and a decrease of CZK 0.7 billion in accrued connection fees.

Current liabilities increased by CZK 35.7 billion to CZK 129.4 billion primarily due to an increase of CZK 21.5 billion in short-term payables from derivative trading, including options; of CZK 13.6 billion in short-term loans, including the current portion of long-term debt; of CZK 2.6 billion in trade payables, including advances; and of CZK 0.8 billion in unbilled goods and services. By contrast, other payables decreased by CZK 1.6 billion and income tax payables decreased by CZK 1.2 billion.

Comprehensive Income

Net comprehensive income decreased by CZK 17.0 billion year-on-year to CZK 10.5 billion.

Net income decreased by CZK 6.0 billion year-on-year; other comprehensive income decreased by CZK 11.0 billion year-on-year. Other comprehensive income was negatively affected primarily by cash flow hedging (CZK -18.9 billion); by contrast, it was increased by deferred tax associated with other comprehensive income (CZK +3.5 billion), available-for-sale securities (CZK +3.3 billion), and currency translation differences in equity (CZK +1.0 billion).

CEZ Group Net Debt (CZK Billions)

	2015	2016
Long-term debt, net of current portion	145.6	142.3
Current portion of long-term debt	11.7	17.2
Short-term loans	0.2	8.3
Total debt	157.5	167.8
Cash and cash equivalents	(13.5)	(11.2)
Highly liquid financial assets	(12.8)	(10.1)
Net debt	131.2	146.5
EBITDA	65.1	58.1
Net debt / EBITDA	2.02	2.52

Financial Results of CEZ Group Segments

Segments and Their Contributions to CEZ Group's Financial Performance

	Operating Revenues Other Than Intersegment Revenues (CZK millions)	Inter-segment Operating Revenues (CZK millions)	Total Operating Revenues (CZK millions)	EBITDA (CZK millions)	EBIT (CZK millions)	Income Taxes (CZK millions)	Net Income (CZK millions)	CAPEX (CZK millions)	Workforce Headcount as at December 31 (Persons)
Generation—Traditional Energy									
2015	54,176	36,293	90,469	29,000	8,494	(1,223)	29,549	17,514	6,629
2016	55,728	32,121	87,849	21,991	4,387	(312)	13,506	16,079	6,748
Generation—New Energy									
2015	3,474	716	4,190	2,373	(1,804)	(379)	(2,926)	309	75
2016	3,389	597	3,986	3,403	(890)	(260)	(1,248)	1,053	64
Distribution									
2015	32,467	32,000	64,467	20,042	12,731	(2,852)	9,725	9,659	7,692
2016	29,698	30,872	60,570	20,361	14,337	(2,523)	11,724	10,257	8,132
Sales									
2015	113,154	6,635	119,789	6,898	6,862	(1,290)	5,732	68	1,731
2016	107,432	5,362	112,794	5,488	5,415	(1,039)	3,880	105	2,105
Mining									
2015	4,676	5,026	9,702	4,325	1,912	(360)	2,093	1,776	2,681
2016	4,826	5,091	9,917	4,412	1,998	(364)	2,376	1,985	2,685
Other									
2015	2,220	18,340	20,560	2,475	775	(244)	594	9,246	7,054
2016	2,671	19,125	21,796	2,423	863	(255)	(916)	8,652	7,161
Elimination									
2015	–	(99,010)	(99,010)	(9)	(9)	–	(24,220)	(7,078)	–
2016	–	(93,168)	(93,168)	4	4	–	(14,747)	(7,966)	–
Consolidation									
2015	210,167	–	210,167	65,104	28,961	(6,348)	20,547	31,494	25,862
2016	203,744	–	203,744	58,082	26,114	(4,753)	14,575	30,165	26,895

The biggest segment, Generation—Traditional Energy, saw its EBITDA decrease by CZK 7.0 billion. The main causes of lower EBITDA in Czechia (CZK -6.5 billion) were, in particular, lower realization prices of generated electricity, including positive impacts of hedges (CZK -6.1 billion); higher expenses on weld inspections at nuclear power plants and related measures (CZK -0.5 billion); impacts of changes in the amount and structure of production (CZK -0.5 billion), where lower production at nuclear power plants was significantly offset by higher production at other facilities; lower revenues from ancillary services (CZK -0.3 billion); and higher operating expenses. By contrast, a positive effect was produced by an increase of CZK +0.5 billion in revenues from commodity trading, the effect of the USD/EUR exchange rate on oil-linked contract hedging amounting to CZK +0.4 billion, and an increase of CZK +0.3 billion in heat deliveries. Lower EBITDA in Poland (CZK -0.5 billion) was primarily caused by lower utilization of green certificates due to a decrease in their market price (lower volume of cofired biomass).

Electricity production in Czechia increased by 0.3 TWh (+0.5%) year-on-year. Lower production at nuclear power plants (-2.7 TWh) was caused by extended unit outages, primarily due to weld inspections. By contrast, generation of electricity from coal increased by 1.6 TWh year-on-year, which was greatly helped by the completion of a comprehensive renovation of the Prunéřov II Power Plant and the pilot operation of a new unit at the Ledvice Power Plant. A significant year-on-year increase in the amount generated (of 1.3 TWh) was registered at the Počerady 4 CCGT Power Plant. Power plants in Poland had approximately the same production as in 2015.

Sales of heat generated by CEZ Group's plants in Czechia increased by 0.9 thousand TJ (+5.4%) year-on-year primarily due to colder weather in January and December 2016. Heat sales in Poland also increased year-on-year, by 0.8 thousand TJ (+16.6%).

The Generation—New Energy segment's EBITDA increased by CZK 1.0 billion year-on-year, primarily due to an increase of CZK 2.0 billion in Romania, which was due to allocation of certificates for the period from November 2013 to September 2015 for the Fântânele Vest wind farm and the period from October 2014 to September 2015 for the Cogeaalac wind farm (CZK +0.9 billion), and in connection with resumed allocation of certificates for the Fântânele Vest and Cogeaalac wind farms from September 2015 (CZK +0.8 billion). Electricity production in Romania decreased by 0.1 TWh (-6.4%) year-on-year. By contrast, a negative effect was produced by a decrease in EBITDA in Poland (CZK -0.7 billion) due to additions to impairments of Eco-Wind projects in connection with unfavorable changes in renewables legislation in Poland and a decrease in EBITDA in Czechia (CZK -0.3 billion) due to additions to provisions in connection with the legal settlement of the situation concerning purchase prices of electricity generated at the Vranovská Ves Photovoltaic Power Plant.

The Distribution segment achieved a year-on-year increase of CZK 0.3 billion in EBITDA. Distribution EBITDA in Czechia increased by CZK 0.8 billion—the main positive factor being an increase in the amount of distributed electricity in connection with increased consumption by customers at all voltage levels. Distribution EBITDA in Romania decreased by CZK 0.6 billion primarily due to a lower margin on distributed electricity, mostly due to lower regulated tariffs since January 1, 2016 (CZK -0.5 billion). EBITDA in Bulgaria increased by CZK 0.1 billion due to overhead reduction and higher connection revenues; by contrast, there was a negative effect of additions to provisions for litigation. The total amount of electricity distributed to end-use customers increased by 0.8 TWh (+1.7%), primarily due to an increase in Czechia.

The Sales segment registered a year-on-year decrease of CZK 1.4 billion in EBITDA. EBITDA in sales in Czechia decreased by CZK 1.5 billion year-on-year due to the payment of SŽDC's debt (from 2010) to ČEZ Prodej in 2015 (CZK -1.1 billion), lower settlement of unbilled electricity at ČEZ Prodej (CZK -0.6 billion), and an increase in fixed operating expenses due to the segment's development activities (CZK -0.3 billion). By contrast, there was a positive effect of lower expenditures on gas and electricity purchases and an increase of CZK +0.6 billion in gas deliveries to new customers. A positive effect was produced by an increase in EBITDA of CZK +0.1 billion relating to the development and acquisition growth of ESCO activities in Czechia and of CZK +0.2 billion in sales in Slovakia, resulting from a higher gross margin primarily due to lower expenditures on gas purchases and higher deliveries of gas to new customers. Sales of gas to end-use customers in Czechia and Slovakia increased by 1.2 TWh (17.4%) year-on-year, primarily due to the acquisition of new customers. The amount of electricity sold to the Sales segment's end-use customers decreased by 0.5 TWh (-1.2%) year-on-year, with decreases in Czechia (-0.2 TWh), Hungary (-0.4 TWh), and Romania (-0.1 TWh) partially offset by an increase of +0.3 TWh in electricity sold in Poland.

The Mining segment increased its EBITDA by CZK 0.1 billion year-on-year, primarily due to higher sales outside CEZ Group and a higher margin on nonenergy activities.

The EBITDA of the Other segment decreased by CZK 0.1 billion year-on-year, primarily due to higher expenses at CEZ Poland Distribution and lower revenues at ČEZ ICT Services.

Commercial and Financial Outlook for 2017

As at March 21, 2017, CEZ Group expected consolidated operating income before depreciation and amortization, impairments including goodwill amortization, and sales of fixed assets (EBITDA) to amount to CZK 52 billion in 2017.

The expectations reflect, in particular, decreasing realization prices of electricity from production sales made in previous years, the course of energy sector regulation in Europe, and an expected increase in electricity generation in both traditional and new energy segments.

The major causes of the year-on-year change in financial performance are listed below to indicate CEZ Group's expected financial position in 2017.

EBITDA is expected to decrease by CZK 6 billion year-on-year (i.e., 10% of the actual 2016 figure).

Negative effects behind an expected decrease of CZK 3.7 billion in the Generation—Traditional Energy segment's EBITDA include lower revenues from commodity trading, active balancing dispatching, and ancillary services for ČEPS, as well as higher expenses on emission allowances, a decrease in electricity realization prices, including the effect of hedging, and higher fixed expenses on maintaining nuclear power plant safety and long-term operation. By contrast, there is a positive effect of an expected increase in nuclear power plants' generation, in particular.

The Mining segment is expected to decrease by CZK 0.4 billion year-on-year.

The Generation—New Energy segment is expected to grow by CZK 0.8 billion year-on-year, primarily due to renewables acquisitions made in 2016 and due to additions to impairments of Eco-Wind projects in 2016. By contrast, there is a negative effect of the nonrecurrent allocation of certificates for the period from 2013 to 2015 to wind parks in Romania in 2016.

The Distribution segment is expected to decrease by CZK 1.5 billion year-on-year, primarily due to the settlement of unbilled electricity in Czechia in 2016 and due to correction factors; by contrast, a positive effect is expected from an increase in permitted revenue.

The Sales segment is expected to decrease by CZK 0.8 billion year-on-year, primarily due to the settlement of unbilled electricity in Czechia in 2016 and due to taking advantage of specific market opportunities in electricity and gas sales in 2016; by contrast, there is a positive effect of expected payment of SŽDC's debt from 2011 to ČEZ Prodej.

The Other segment is expected to decrease by CZK 0.5 billion year-on-year.

Adjusted net income expected by CEZ Group is at the level of CZK 12 billion to CZK 17 billion. Potential net income of CZK 4.8 billion (corresponding to the difference in the prediction of CZK 12 and 17 billion) will be realized if the holders of convertible bonds exercise their right to take MOL shares instead of cash in 2017. Risks to the above prediction of 2017 income, as seen by CEZ Group, include especially lower availability of generating facilities in Czechia and developments in regulatory and legislative conditions for the energy sector in Europe. At the same time, there is an opportunity in the prediction, consisting in potential income from the possible sale of the coal-fired Počerady Power Plant in 2017.

The 2016 adjusted net income was CZK 19.6 billion, with the achieved consolidated net income of CZK 14.6 billion adjusted for the effect of fixed asset impairments and for the effect of impairments of developed projects.

The 2017 adjusted net income of the parent company, ČEZ, a. s., is expected to be approximately CZK 2 billion, with positive expectations fueled especially by anticipated dividends from subsidiaries of ČEZ, a. s.

Capital expenditure expected by CEZ Group in 2017 is approximately CZK 31 billion, with a majority planned to be invested in generation and distribution assets in Czechia.

No major changes are expected in the overall structure of assets from which the 2017 income will be generated.

Solvency in 2016

CEZ Group's solvency was good in 2016 and CEZ Group companies did not show any insufficiencies when settling their liabilities. In the context of continued quantitative easing in the eurozone in 2016, there continued to be a very favorable situation in the bank loan market, including countries where CEZ Group is present. This allowed completing a program of financing selected subsidiaries at local level, with no recourse to CEZ Group (repayment commitment by ČEZ). On November 2, CEZ Razpredelenie Bulgaria signed a loan agreement for EUR 98 million (approx. CZK 2.6 billion) with a 7-year repayment period and, simultaneously, a revolving loan of EUR 18 million (CZK 0.5 billion).

In February and March 2016, ČEZ issued 3 tranches of privately placed bonds with a total value of EUR 200 million and 2-year maturity. The primary purpose of these issues was not financing but hedging revenues from electricity sales linked to EUR through a synthetic (composite) currency swap. This transaction was one of several activities aimed to raise the level of hedging in anticipation of the end of Czech National Bank's interventions.

In 2016, CZK 21.2 billion was paid in dividends for 2015, and another approximately CZK 0.12 billion was paid in dividends for previous years.

All committed credit lines under a bill-of-exchange program that expired in 2016 were renewed without any problems.

As at December 31, 2016, the volume of long-term bank and other loans, including the current portion of long-term loans, was CZK 27.4 billion, of which loans provided by the European Investment Bank accounted for CZK 16.0 billion.

The average repayment period of CEZ Group's financial debts was more than 7 years in 2016. ČEZ drew more committed credit lines at the end of 2016 than at the end of 2015. This was primarily due to developments in the money market, where extremely high liquidity of all banks late in the year, augmented by banks' efforts to minimize their liabilities, according to which their annual contributions to the Resolution Fund are determined, resulted in extremely low negative interest rates for short-term deposits at the end of the year. CEZ Group reacted to this in advance by depositing money for longer periods while planning to cover any additional financial needs through short-term lines.

CEZ Group Capital Expenditures

Capital Expenditures (CZK Millions)

	2015	2016
Additions to property, plant, and equipment, including capitalized interest	31,909	35,553
Additions to property, plant, and equipment	30,573	28,808
Of which: Nuclear fuel procurement	4,829	4,532
Additions to intangibles	921	1,357
Additions to noncurrent financial assets	609	5,340
Change in balance of liabilities attributable to capital expenditure	(194)	48
Financial investments*	-	368
Total capital expenditures	31,909	35,921

* Acquisition of subsidiaries and joint ventures, net of cash acquired.

Additions to Property, Plant, and Equipment and Intangibles, by Type (CZK Millions)

	Czechia		Poland		Bulgaria		Romania		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Nuclear plants (including fuel procurement)	8,894	6,753	-	-	-	-	-	-	8,894	6,753
Coal and CCGT power plants	8,061	7,818	365	81	-	-	-	-	8,426	7,899
Of which: New construction	3,153	3,108	-	-	-	-	-	-	3,153	3,108
Renovation and other	4,908	4,710	365	81	-	-	-	-	5,272	4,791
Hydro plants other than renewables	93	73	-	-	-	-	-	-	93	73
Renewables	17	34	67	21	149	-	23	23	256	77
Electricity distribution	7,583	8,699	-	-	937	419	1,079	1,139	9,599	10,257
Heat distribution	197	101	-	-	-	-	-	-	197	101
Mining	1,850	1,985	-	-	-	-	-	-	1,850	1,985
Information systems	997	785	9	5	327	61	29	196	1,361	1,047
Other	691	1,096	14	13	17	815	96	48	818	1,973
Total	28,382	27,344	455	120	1,430	1,295	1,227	1,407	31,494	30,165

Outlook for Capital Expenditures (Excluding Financial Investments) in 2017-2021

Planned CEZ Group Capital Expenditures (Excluding Financial Investments), by Type (CZK Billions)

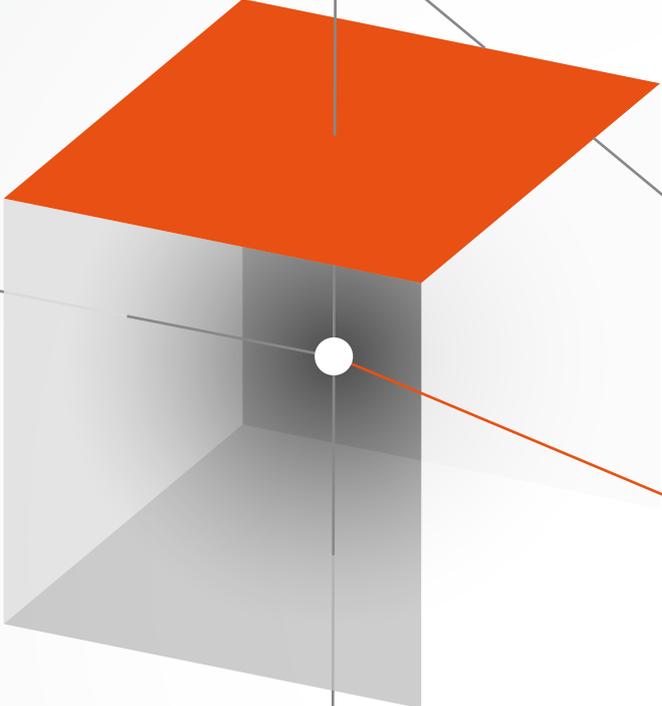
	2017	2018	2019	2020	2021
Mining	2.1	3.2	2.8	2.5	2.5
Generation	11.3	10.4	12.3	12.4	14.4
Of which: Traditional energy	11.2	8.7	10.8	12.3	14.3
New energy	0.1	1.8	1.6	0.1	0.1
Distribution	13.1	13.4	13.5	13.1	13.1
Sales	0.2	0.9	1.2	1.4	1.4
Other CAPEX	4.1	3.0	2.7	3.2	3.1
Total CAPEX	30.7	30.9	32.5	32.6	34.6

ČEZ Energetické produkty

ČEZ Energetické produkty takes care of reliable and cost-effective operations and maintenance of equipment for the back end of conventional power plants' fuel cycle and the utilization of coal combustion products.



**Certified CCP—certified coal
combustion products**



Scrap metal management

Everything is interconnected, so ČEZ Energetické produkty is not only a member of CEZ Group but also a major supplier for building contractors and manufacturers of building materials. Do you think this is exaggeration? The reality is even more interesting. The company's experts can use products originating in coal combustion as valuable secondary raw materials. Certified products serve as a basis for concrete and cement production. They have environmental benefits over primary natural resources in the production of building materials because their processing does not generate any atmospheric emissions and they substitute nonrenewable natural resources. They are also used to backfill exhausted mines or in landscape reclamation. And because they do not have any negative environmental impacts, they are used as filter media in wastewater treatment plants. You may also have drywall panels made from FGD gypsum, originating in flue gas desulfurization, in your home.

The range of applications of coal combustion products is wide and ČEZ Energetické produkty is working on additional products made from these materials to expand its offer.



Commodities Procured and Sold by CEZ Group

Electricity Procured and Sold

Electricity Procured and Sold (GWh)

	2015	2016	2016/2015 Index (%)
Electricity procured	54,300	54,656	100.7
Generation	60,917	61,132	100.4
In-house and other consumption, including pumping in pumped-storage plants	(6,617)	(6,476)	97.9
Sold to end-use customers	(37,933)	(37,475)	98.8
Wholesale balance	(11,557)	(12,861)	111.3
Sold in the wholesale market	(206,414)	(198,709)	96.3
Purchased in the wholesale market	194,857	185,848	95.4
Grid losses	(4,810)	(4,320)	89.8

Electricity Generation, by Source of Energy (GWh)

	Czechia		Poland		Bulgaria		Romania		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Nuclear	26,840	24,104	-	-	-	-	-	-	26,840	24,104
Coal	26,579	28,149	2,511	2,540	-	-	-	-	29,090	30,689
Hydro	2,153	2,243	11	11	-	-	50	92	2,214	2,347
Biomass	369	500	422	379	-	-	-	-	791	879
Photovoltaic	135	126	-	-	6	6	-	-	141	132
Wind	9	6	-	-	-	-	1,286	1,159	1,295	1,166
Natural Gas	542	1,813	-	-	-	-	-	-	542	1,813
Biogas	3	2	-	-	-	-	-	-	3	2
Total	56,630	56,944	2,944	2,931	6	6	1,336	1,251	60,917	61,132

Electricity Sales to End-Use Customers (GWh)

	Czechia		Poland		Bulgaria		Romania		Other countries*		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Large customers	10,359	10,141	1,612	1,726	3,238	3,676	940	815	3,105	2,615	19,255	18,972
Retail—commercial	2,384	2,248	-	203	2,162	1,761	885	850	93	114	5,525	5,176
Retail—residential	7,089	7,211	-	-	4,285	4,277	1,645	1,704	133	136	13,153	13,328
Total	19,833	19,600	1,612	1,929	9,685	9,713	3,470	3,369	3,332	2,864	37,933	37,475

* Hungary, Slovakia

Heat

Heat Supplied and Sold (TJ)

	Heat Supplied for Heating Purposes		External Heat Sales (Outside CEZ Group)	
	2015	2016	2015	2016
Czechia	21,494	22,355	17,260	18,196
Poland	5,092	5,938	4,996	5,825
Total CEZ Group	26,586	28,293	22,256	24,022

Natural Gas

Natural Gas Procured and Sold (GWh)

	2015	2016	2016/2015 Index (%)
Procured	96,930	163,569	168.7
Removed from storage	3,091	3,921	126.9
Sold	(95,706)	(160,223)	167.4
Of which: Trading	(88,482)	(151,556)	171.3
External large customers	(2,394)	(2,955)	123.4
Medium-sized end-use customers	(577)	(703)	121.9
Small end-use customers	(816)	(968)	118.6
Residential	(3,053)	(3,554)	116.4
OTE	(384)	(487)	126.9
Placed in storage	(2,589)	(3,286)	126.9
Consumed in-house	(1,727)	(3,980)	230.5

Distributed Electricity

Electricity Distributed by CEZ Group (GWh)

	Czechia		Bulgaria		Romania	
	2015*	2016	2015	2016	2015	2016
Electricity distributed to end-use customers	34,139	34,950	9,272	9,306	6,419	6,381

* The 2015 figure for Czechia is restated using the 2016 methodology—it includes electricity distributed to customers, producers, and local distribution network operators.

Financial Performance of ČEZ, a. s.

The core businesses of ČEZ, a. s. are electricity generation and trading, heat generation and distribution, and trading in gas and other commodities. EBITDA decreased by CZK 7.1 billion year-on-year to CZK 16.8 billion. Net income decreased by CZK 19.3 billion year-on-year to CZK 8.8 billion. The main causes of the year-on-year decrease in net income included lower dividends received from CEZ Group companies, a decrease in the realization prices of generated electricity, and the refund of a portion of gift tax on emission allowances for 2011 and 2012 in 2015.

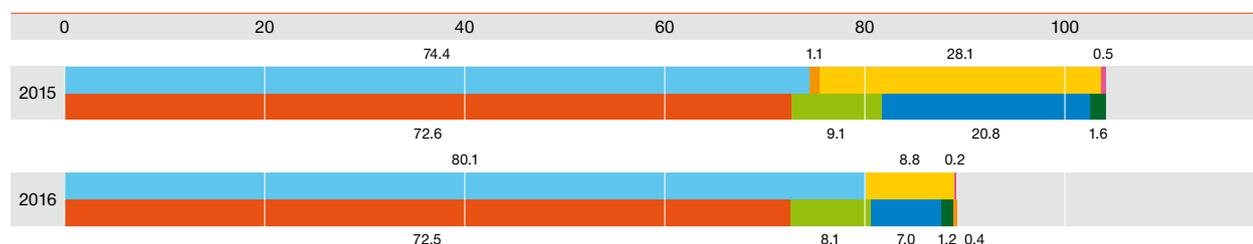
Key Figures of ČEZ, a. s. in Accordance With IFRS

	Unit	2015	2016	2016/2015 Index (%)
Installed capacity	MW	10,815	10,436	96.5
Electricity generated (gross)	GWh	46,495	45,207	97.2
Heat sold (including sales within CEZ Group)	TJ	9,964	9,328	93.6
Workforce headcount as at December 31	Persons	5,019	5,079	101.2
Operating revenues	CZK millions	83,320	81,793	98.2
EBITDA	CZK millions	23,918	16,793	70.2
EBIT	CZK millions	8,411	1,455	17.3
Net income	CZK millions	28,115	8,834	31.4
Dividend per share (gross) ¹⁾	CZK/share	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	59,436	37,120	62.5
Capital expenditures (CAPEX)	CZK millions	16,754	15,732	93.9
Total assets	CZK millions	518,380	536,934	103.6
Equity	CZK millions	220,569	200,698	91.0
Net debt	CZK millions	120,338	133,221	110.7
Return on assets (ROA), net	%	5.3	1.7	31.4
Return on equity (ROE), net	%	13.2	4.2	31.8

¹⁾ Awarded in a given year to be paid out of the previous year's income.

Changes in Revenues, Expenses, and Profits

Net Income Breakdown of ČEZ, a. s. (CZK Billions)



- Operating expenses
- Income tax
- Net income
- Profit or loss from commodity derivative trading
- Sales of electricity
- Sales of gas, heat, and other revenue
- Other income (expenses)
- Other operating revenues

Operating revenues decreased by CZK 1.5 billion year-on-year due to a decrease in revenue from sales of gas, heat, and other revenue (CZK -1.0 billion), other operating revenues (CZK -0.4 billion), and lower revenue from sales of electricity and related services (CZK -0.2 billion).

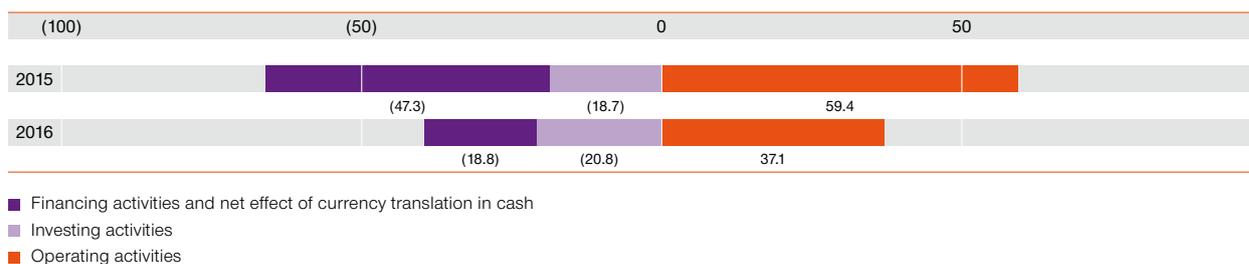
Operating expenses increased by CZK 5.7 billion year-on-year, primarily in relation to increased expenses on purchases of electricity and related services (CZK -4.9 billion), increased expenses on repair and maintenance (CZK -0.5 billion), and higher personnel expenses (CZK -0.4 billion).

Other income (expenses) decreased earnings by CZK 13.8 billion year-on-year, primarily due to lower received dividends (CZK -9.9 billion) and the refund of a portion of gift tax on emission allowances for 2011 and 2012 (CZK -3.8 billion) in 2015.

Income tax decreased by CZK 1.4 billion year-on-year due to lower earnings before taxes.

Cash Flows

ČEZ, a. s. Cash Flows (CZK Billions)



Cash flows from operating activities decreased by CZK 22.3 billion year-on-year, primarily due to a year-on-year decrease in earnings before taxes adjusted for noncash operations (CZK -9.9 billion), a change in working capital (CZK -8.6 billion), a year-on-year decrease in received dividends (CZK -3.0 billion), and higher income tax paid (CZK -1.0 billion).

Negative effects on working capital in the year-on-year comparison included, in particular, trade and other payables and receivables, including advances and accruals/deferrals (CZK -4.8 billion); payables and receivables from derivative trading (CZK -3.4 billion); emission allowances (CZK -2.4 billion); and a year-on-year increase in inventories of materials and fossil fuels (CZK -0.4 billion). By contrast, a positive effect on working capital was produced by a year-on-year decrease in liquid securities and term deposits (CZK +2.4 billion).

Cash used in investing activities increased by CZK 2.1 billion year-on-year, primarily due to decreased repayments of loans granted and increased loans granted within CEZ Group (CZK -6.9 billion), a year-on-year increase in additions to noncurrent financial assets (CZK -3.9 billion) due to purchases of bank bonds, and increased investments in subsidiaries (CZK -2.7 billion). By contrast, a positive effect on the year-on-year comparison was produced by a year-on-year increase in proceeds from sales of subsidiaries and joint ventures, including the liquidation balance received (CZK +9.6 billion); decreased investments in property, plant, and equipment and intangible assets (CZK +1.0 billion); and year-on-year increase in proceeds from sales of noncurrent assets (CZK +0.7 billion).

Cash used in financing activities, including the net effect of currency translation in cash, decreased by CZK 28.4 billion year-on-year. The main cause was a year-on-year increase in the balance of loans and repayments (CZK +32.4 billion). By contrast, a negative effect was produced by a decrease in liabilities from CEZ Group cash pooling (CZK -3.2 billion) and a year-on-year decrease in other noncurrent liabilities (CZK -0.9 billion).

Structure of Assets, Equity, and Liabilities

The value of assets, equity, and liabilities increased by CZK 18.6 billion year-on-year to CZK 536.9 billion.

Noncurrent assets increased by CZK 6.3 billion to CZK 439.0 billion.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress increased by CZK 0.5 billion year-on-year. An increase of CZK 34.1 billion in property, plant, and equipment, net, was offset by a decrease of CZK 35.6 billion in construction work in progress, including advance payments. Nuclear fuel inventory increased by CZK 1.9 billion.

Other noncurrent assets increased by CZK 5.8 billion, primarily due to an increase in equity securities and interests in subsidiaries (CZK +17.1 billion) and an increase in available-for-sale securities and interests (CZK +3.5 billion), primarily due to purchases of bank bonds. A negative effect was produced by additions to impairments of equity securities in subsidiaries and associates (CZK -10.0 billion) and a decrease in long-term receivables from derivatives (CZK -2.9 billion) and long-term loans (CZK -2.1 billion).

Current assets increased by CZK 12.2 billion to 97.9 billion in 2016, primarily due to an increase in short-term receivables from derivative trading, including options (CZK +17.1 billion); net receivables (CZK +2.9 billion); and assets classified as held for sale (CZK +0.7 billion); the decision to sale the Tisová Power Plant; and an increase in income tax receivables (CZK +0.6 billion).

By contrast, there was a decrease in short-term deposits and liquid securities (CZK -6.6 billion) and cash and cash equivalents (CZK -2.5 billion).

Equity decreased by CZK 19.9 billion year-on-year to CZK 200.7 billion. Net income generated in 2016 added CZK 8.8 billion to equity. Dividends decreased equity by CZK 21.3 billion. Changes in equity, including deferred income tax, associated with other comprehensive income decreased equity by CZK 7.4 billion.

Noncurrent liabilities increased by CZK 13.3 billion to CZK 203.0 billion, primarily due to an increase in nuclear provisions (CZK +5.4 billion), liabilities from bonds issued (CZK +5.1 billion), long-term payables from derivative trading (CZK +3.8 billion), and long-term bank loans (CZK +1.9 billion). By contrast, there was a decrease in deferred tax liability (CZK -2.1 billion) and other items in noncurrent liabilities (CZK -0.7 billion).

Current liabilities increased by CZK 25.1 billion to CZK 133.2 billion, primarily due to an increase in short-term payables from derivative trading (CZK +20.6 billion); trade payables, including received advanced (CZK +2.7 billion); and unbilled goods and services (CZK +1.7 billion).

Comprehensive Income

Net comprehensive income decreased by CZK 34.2 billion year-on-year to CZK 1.4 billion due to a year-on-year decrease of CZK 19.3 billion in net income and a year-on-year decrease of CZK 14.9 billion in other comprehensive income.

Other comprehensive income was negatively affected, in particular, by cash flow hedging, which decreased other comprehensive income by CZK 18.9 billion year-on-year. By contrast, deferred income tax associated with other comprehensive income and year-on-year change in available-for-sale securities recognized in equity increased other comprehensive income by CZK 3.9 billion.

Electricity Generation at ČEZ

In 2016, ČEZ's electricity generation decreased by 1.3 TWh compared to 45.2 TWh in 2015. The decrease was mainly caused by decreased generation at nuclear power plants (-2.7 TWh) due to unscheduled outages and prolonged scheduled outages (especially weld inspections at the Temelín Nuclear Power Plant). By contrast, generation from natural gas increased by 1.3 TWh, generation from hydroelectric power plants by 0.1 TWh, and generation from biomass also by 0.1 TWh.

Treasury Shares

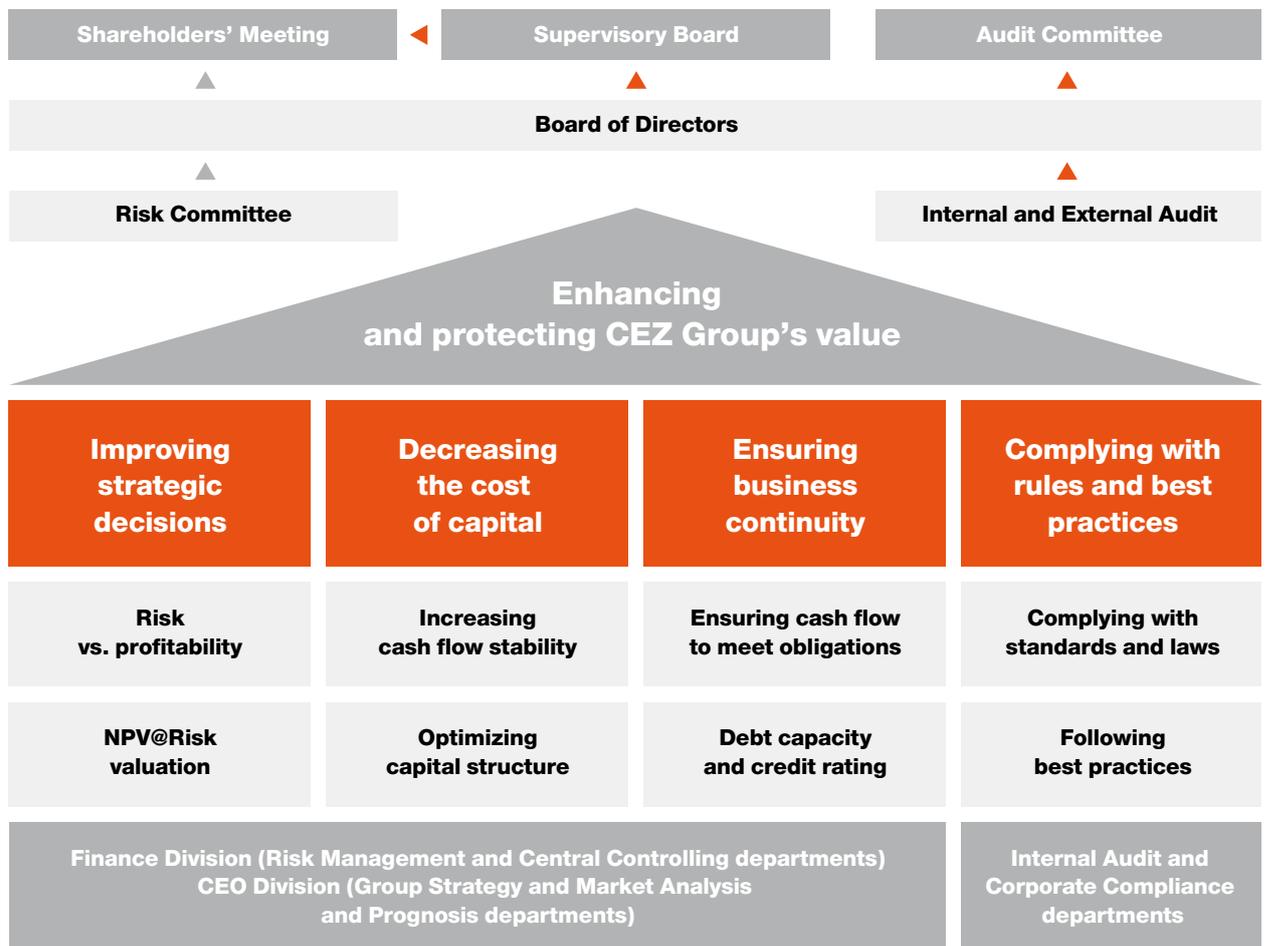
To cover claims arising out of the Company's stock option plan, 3,755,021 treasury shares, representing 0.7% of the stated capital, were held on ČEZ's asset account with the Central Securities Depository at the beginning of 2016.

No stock option plan beneficiary claimed the grant of any ČEZ stock options during 2016.

The balance of treasury shares had not changed by December 31, 2016, and there were 3,755,021 treasury shares, that is, 0.7% of the stated capital, registered on ČEZ's asset account with the Central Securities Depository on that date.

Risk Management at CEZ Group

A risk management system and a system of internal controls are developed continually at CEZ Group. The two areas are audited on an ongoing basis by Internal Audit, which also makes sure all processes are in compliance with best practices and internal and external regulations and standards. The principal functions, objective, and manner of risk management reporting at CEZ group are illustrated by the following chart:



Risk Management

The aim of the risk management system is to protect the value of CEZ Group while taking on an acceptable level of risk.

Centralized risk management is based on the perception of risk as a measurable degree of uncertainty (potential deviation between actual and planned courses of action), expressed in Czech korunas at a chosen uniform level of confidence (enabling various types of risk to be compared and priorities to be set accordingly).

Centralized risk management relies on tools and models for managing and quantifying risks in one-year and medium-term time frames. Together with CEZ Group's budget, the ČEZ Board of Directors approves the Profit at Risk, an overall risk limit expressing CEZ Group's inclination to risk for a given year. The limit is allocated to individual risks and organizational units on an ongoing basis.

Rules, responsibilities, and structure of limits for managing partial risks are discussed by the Risk Committee (an advisory body to the member of the Board of Directors responsible for risk management—Chief Financial Officer), which subsequently monitors the overall impact of risks on CEZ Group, including the utilization of CEZ Group's debt capacity and fulfillment of rating requirements.

Risks having the form of specific threats and/or events are managed in a decentralized manner, with only the most significant of them being reported centrally, in a unified fashion, within the process of updating the CEZ Group business plan.

The tools and processes used at CEZ Group allow

- Measuring the objective susceptibility of internal resources to changes in market and credit risks, applying selected principles used in the banking industry
- Managing the degree of fixation of future cash flows, thereby minimizing the potential danger to the fundamental value of CEZ Group
- Making decisions on acquisitions and investments in the context of real debt capacity
- Monitoring compliance with requirements stipulated by creditors and credit rating agencies for debt indicators in the medium term, thereby minimizing the risk of downgrading
- Updating the strategy in accordance with the anticipated financial capacity of CEZ Group

CEZ Group uses a unified system for categorizing risks according to their primary causes:

1. Market Risks

- Commodity risks to generation margin associated with the operation of power plants (managed through running sales of nuclear electricity or by fixing the gross margin of coal-fired power plants for the next 3–6 years in long-term electricity sales contracts and through operative management of the overall CO₂ position)
- Commodity risks resulting from trading in electricity, emission allowances, natural gas, hard coal, crude oil, and oil products (managed by setting financial limits on deviation from plans, position limits, and rules)
- Currency and interest rate risks hedged by maintaining well-balanced operating, investing, and financing cash flows denominated in foreign currencies and utilizing standard financial instruments in accordance with risk limits and rules for fixing generation revenues on a running basis within a five-year time frame
- Volume risk to generation at renewable sources abroad

2. Credit Risks

- Credit risks of CEZ Group's business and financing partners are managed through individual limits; due to the uncertainty of individual markets, conservative rules for entering into business transactions remain in place
- Credit risks of end-use customers for electricity and gas are managed through payment terms based on customer credibility

3. Operational Risks

- The risk of deviations from the plan in the output of nuclear and Czech coal-fired power plants is quantified and reported on a monthly basis and the long-term results are utilized for optimizing the scope of maintenance
- A significant operational risk is posed by the finishing renovation of coal-fired plants in Czechia; risks involved in the preparation and implementation of these capital projects are quantified in a uniform manner and reported quarterly using unified Group methodology

4. Business Risks

- Strategic, regulatory, and legislative business risks are assessed on an ongoing basis and taken into account when updating acquisition and investment strategies in order to reflect changes in CEZ Group's debt and financial capacities
- CEZ Group also faces risks of new taxes and/or decisions by EU antimonopoly and regulatory bodies as well as political risks in all countries it operates in

Insurance

A number of risks in CEZ Group companies are dealt with through an insurance program that is largely arranged by ČEZ.

The most important kinds of arranged insurance include:

- Nuclear plant third-party liability insurance pursuant to the Atomic Energy Act; there are separate insurance policies for the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant; each policy is for the statutory limit of CZK 2 billion; the insurers are Česká pojišťovna, representing the Czech Nuclear Insurance Pool, and European Liability Insurance for the Nuclear Industry
- Liability insurance for nuclear material transports pursuant to the Atomic Energy Act; the insurance covers transports of nuclear fuel for both nuclear power plants to the statutory limit of CZK 300 million; the insurers are Česká pojišťovna, representing the Czech Nuclear Insurance Pool, and European Liability Insurance for the Nuclear Industry
- Property insurance for the nuclear power plants, covering damage arising from natural hazards and mechanical risks, including damage arising from a nuclear accident; the insurers are Česká pojišťovna, representing the Czech Nuclear Insurance Pool, and the European Mutual Association for Nuclear Insurance
- Property insurance for coal-fired, CCGT, and hydroelectric power plants providing coverage against natural hazards and mechanical risks
- General liability insurance that covers CEZ Group companies against financial losses that may result from damage inflicted on a third party due to a company's operations and/or defective product

Subsidiaries in Bulgaria take out property insurance and insurance against occupational injuries and diseases to comply with the provisions of licenses granted for electricity generation and distribution. In Romania, standard property and mechanical risk insurance is taken out for the Fântânele and Cogeaclac wind parks, including coverage against interruption of operation. The Polish power plants in Chorzów and Skawina have insurance covering property and mechanical risks, including interruption of operation.

CEZ Group standards are applied to other companies, territories, and risks in relation to CEZ Group's insurance program and applicable legislation.

Internal Audit

Internal Audit at ČEZ provides the Company's management and governance bodies with assurance that the internal management and control system is functional and all significant risks are managed adequately. By doing so, it helps achieve CEZ Group's goals and initiates improvement of activities and mitigation of business risk.

ČEZ's Internal Audit reports directly to the Company's Board of Directors; it also submits the results of its auditing activities to ČEZ's Audit Committee and to the statutory governing bodies of respective subsidiaries within CEZ Group. The Head of Internal Audit at ČEZ has direct access to and attends meetings of the Board of Directors and participates as a guest in meetings of the ČEZ Plant Safety Committee, the Risk Committee, and the CEZ Group Security Committee. The unit's independence and the compliance of its activities with the Standards of Professional Internal Audit Practice were verified by an external quality assessment in late 2016.

Internal Audit's action plan is prepared on the basis of an assessment of the level of risk involved in individual processes, making use of suggestions provided by CEZ Group managers and integrating follow-up audits. A total of 38 audits were conducted in 2016: 11 in ČEZ and 27 in subsidiaries (including 7 audits in foreign shareholdings), where audits are conducted by ČEZ's Internal Audit under a contract.

Audit activities within CEZ Group are coordinated with the separate audit units that have been established in certain CEZ Group companies (ČEZ Distribuce, Severočeské doly; separate audit units have also been established in Bulgaria, Romania, and Turkey). Audit outputs are reports documenting all objective findings and making recommendations where shortcomings are identified. The outputs are discussed with the management of the audited entities, which subsequently takes corrective action. Internal Audit checks the implementation of corrective actions on an ongoing basis, using follow-up audits where appropriate.

The results of audit activities, including any amendments to the audit plan, are reported quarterly in summary form to the Board of Directors and the Audit Committee of ČEZ. In the event of serious findings or shortcomings the correction of which is beyond the audited entity's authority, resolutions on correction are adopted by the Board of Directors of ČEZ.

Coaling involves the handling of fuel from unloading from Falls railcars, suitable for the transportation of bulk materials, to fuel transportation to boiler coal bunkers and the top edge of bunker grates.

The company also operates mine tracks owned by Severočeské doly and railroad transportation on them. It carries out rolling stock maintenance.



Transportation
Technical Support
department

External
Transportation
department

Safety Management at CEZ Group

Safety and Quality Management

CEZ Group's management system is based on requirements set down in binding national legislation and recommendations made by international organizations. The management system serves to define and fulfill the Company's vision, strategy, policies, and goals and create an environment for their accomplishment.

The fundamental elements of the management system at ČEZ are the Company process mode, the organizational structure (including the specification of responsibilities and powers), and the system of internal regulations and operating documents. The entire management system is regularly reviewed through an established system of internal controls and measures are taken on the basis of the outputs of periodic reviews with the aim of continual improvement—the documentation management system and the method of management assessment were changed in this manner in 2016.

As part of concern management, the Board of Directors of ČEZ has approved and published Concern Management Policies, which define long-term concern interests and delegate the authority to issue binding instructions for concern members to respective process owners in accordance with the ČEZ management model.

The Board of Directors of ČEZ fully accepts its responsibility for ensuring the safety and security of generating facilities and the protection of individuals, the public, and the environment within the meaning of applicable legislation as well as Czechia's international commitments.

CEZ Group's internal regulations give priority to safety and security in all processes and activities. The established safety system in all processes and activities is subject to regular internal checks at three levels: self-evaluation, checks by safety functions, and checks at headquarters level by the CEZ Group Safety Inspectorate. The safety management system at CEZ Group is structured into graduated safety segments according to prevailing risks.

An integral part of safety and environmental management is the use of certified systems.

In the field of safety, CEZ Group largely implements the "Safe Enterprise" program established by the Ministry of Labor and Social Affairs and the State Labor Inspection Office. In rare cases the companies use a safety and occupational health and management system according to OHSAS 18001. These systems were successfully recertified in 2016 at all of ČEZ's conventional power plants, as well as at ČEZ ENERGOSERVIS, Elektrárna Dětmarovice, ŠKODA PRAHA Invest, MARTIA, Energocentrum Vítkovice, and ČEZ Distribuční služby.

As regards the environment, CEZ Group uses an environmental management system (EMS) according to ISO 14001. CEZ Group also applies a quality management system according to ISO 9001; a recertification audit was successfully conducted at ČEZ ENERGOSERVIS and ČEZ Distribuce in 2016.

An energy management system (EnMS) according to ISO 50001 has been gradually introduced in CEZ Group since 2015. Most of the relevant companies were certified already in 2015. In 2016, certification was achieved by ČEZ Energetické služby, ČEZ Distribuce, ČEZ Distribuční služby, and ČEZ Korporátní služby. Most of a total of 84 measures defined in the National Action Plan of the Czech Republic have been completed. The only long-term measure (which is expected to be implemented in 2021–2022) is the completion of steps to preserve long-term containment integrity, in accordance with selected severe accident management strategies. This measure is still in its pre-design and experimental preparation stage. No such measures have ever been implemented for WWER-1000 reactors.

Regular checks of the functionality of diverse equipment (allowing independent execution of a nuclear power plant's safety functions) and mobile equipment (mobile devices usable throughout a power plant's site)—abbreviated collectively as DAM—are carried out as part of measures resulting from the stress testing of nuclear power plants. The checks concern not only proper storage but also drilling personnel in using the equipment when an unexpected event occurs. An Integrated Exercise of Cooperation between the emergency control center and DAM deployment management is planned for 2017.

Operational Safety at Nuclear Power Plants

ČEZ's nuclear power plants were operated in compliance with applicable nuclear energy legislation in 2016, fulfilling the conditions of all valid licenses. The operation of the nuclear power plants has a negligible impact on the environment and the populace.

In January, both nuclear power plants' physical security systems were switched from mode 1, which they had been put into due to intensified safety measures after terrorist attacks in Paris, to the standard mode. In March, both nuclear power plants' physical security systems were switched over to mode 1 again in reaction to terrorist attacks in Brussels and they have been in this mode since then.

In December, Det Norske Veritas conducted an international audit focusing on newly implemented environmental protection measures at both nuclear power plants. The international auditors wanted to know, in particular, how the nuclear power plants handle generated waste and wastewater and how they are prepared for possible leaks with potential environmental impacts. According to the auditors, the nuclear power plants protect the environment in compliance with new international standards and both nuclear power plants thus defended their prestigious environmental management system (EMS) certificates according to ISO 14001 in 2016.

Nuclear Power Plant Safety Indicators in 2016

Indicator	Number of Events	
	Dukovany NPP	Temelin NPP
INES 0 events	6	16
INES 1 events	0	0

Dukovany Nuclear Power Plant (EDU)

On March 30, 2016, ČEZ received a renewed operating license for Unit 1 of the Dukovany Nuclear Power Plant for an indefinite period of time, conditional on meeting a number of defined conditions. Utmost attention is paid to acting on the conditions. The first secret exercise (a secret exercise is one that only emergency preparedness personnel know about) was carried out in May to test the operation of a backup site for the emergency response board in Moravský Krumlov and the preparedness of the members of the emergency response board. Additionally, the State Labor Inspection Office carried out its annual audit of electrical and gas technology, transportation (both on-site and by rail), and construction activities. The audit confirmed compliance with the criteria of the "Safe Enterprise" program.

In early June, there was a full-site emergency response exercise supervised by inspectors from the State Office for Nuclear Safety (SÚJB), simulating a multi-unit event and staff sheltering to test the preparedness of the power plant and its staff.

In late June, there was a mission of the IPSART (International Probabilistic Safety Assessment Review Team) of the International Atomic Energy Agency (IAEA), conducted to thoroughly check newly updated models for the probabilistic safety assessment (PSA) of the Dukovany Nuclear Power Plant. The mission confirmed that the PSAs are prepared and documented in accordance with recognized methodologies by qualified personnel with adequate quality to be usable in a wide range of risk-informed applications. The experts also made several suggestions for improvement.

In July, ČEZ applied to SÚJB for an extension of the current operating license for Unit 2 of the Dukovany Nuclear Power Plant until July 10, 2017. The original license was valid until December 31, 2016. The application was necessitated by the postponement of a Unit 2 outage during which it is necessary to carry out a number of special inspections and tests whose results must be incorporated in documents accompanying an application for operating license renewal. The extension of the current license provided sufficient time for processing the results. Together with the application for an extension of the current license, SÚJB was submitted documents evidencing the safe condition of equipment for the operation of Unit 2 for the duration of the extension. These were, in particular, proofs of compliance with related requirements arising out of the Atomic Energy Act and its implementing regulations.

In September, the SAFEGUARD Dukovany 2016 exercise took place in the immediate vicinity of the Dukovany Nuclear Power Plant to allow the Armed Forces of the Czech Republic to practice taking up positions for external safeguarding of the Dukovany Nuclear Power Plant, including the Gravity-Driven Cooling Water Reservoir. The Armed Forces of the Czech Republic provide such external safeguarding when the Czech government declares a state of emergency relating to the security situation in Czechia. The exercise also tested cooperation and collaboration among all entities involved in the safeguarding of the Dukovany Nuclear Power Plant at the levels of the physical protection system control center and the emergency control center of the Dukovany Nuclear Power Plant.

In November, the IAEA carried out a SALTO (Safety Aspects of Long-Term Operation) follow-up mission. The follow-up mission found 5 out of 6 suggestions for improvement formulated in 2014 and 1 out of 2 recommendations resolved. It found satisfactory progress to date in 1 suggestion and 1 recommendation.

The mission's outputs and assessments are important inputs for regular updates to overarching measures for the power plant's safe long-term operation.

In addition to upgrading the complete instrumentation and control system, such measures included, in particular, the implementation of measures enhancing nuclear safety, such as the acquisition of a third group of super-accident feed pumps for the cooling water replenishment system or diverse and mobile station blackout (SBO) equipment, namely 2 large containerized diesel generators and 4 mobile diesel generators. The seismic resistance of buildings at the power plant site was enhanced and two new, seismic-resistant, forced-draft cooling towers were built. The power plant's physical security was also upgraded. The entrance to the power plant's secured area was fitted with new turnstiles with maximum stopping capacity and the gateway to the secured area was fitted with a new gate and a road stop—a metal rising barrier preventing vehicles from gaining unauthorized access.

In January 2017, an application for a renewed operating license for Unit 2 of the Dukovany Nuclear Power Plant after July 10, 2017 was filed with the State Office for Nuclear Safety.

Temelín Nuclear Power Plant (ETE)

In April, the power plant underwent the State Labor Inspection Office's annual audit concerning construction preparation and execution, chemicals, oil management, the wastewater treatment plant, and generating and operating systems (gas, pressure, and machinery), which was in compliance with the "Safe Enterprise" program.

A program was set up for practicing the use of new equipment acquired under the National Action Plan (measures resulting from stress testing), for example, checking the operability of a backup emergency response center in České Budějovice or the preparedness of emergency response board members with secret calls.

In September, the start-up of Unit 2 after refueling was interrupted due to increased vibration of the turbine. The subsequent inspection of the bearing block sealing system and the steam seals of the turbine in the manufacturing plant in Pilsen extended the outage by one month.

In November, a "Blackout" cooperation exercise took place at the power plant, with participation by ČEPS and E.ON. The exercise checked the power plant's backup power supply for reactor aftercooling in the event of a transmission system failure.

Supplier Audits

Suppliers of safety-relevant articles and services are subject to repeated customer audits carried out by ČEZ. Customer audits examine the extent to which the suppliers comply with the requirements of nuclear legislation. The quality of a supplier's work is monitored and evaluated according to predefined criteria on an ongoing basis.

There were 81 customer audits conducted in 2016, including 38 audits conducted jointly with primary suppliers to CEZ Group companies.

As at December 31, 2016, ČEZ had 211 qualified suppliers of articles relevant to nuclear safety and radiation protection pursuant to the requirements of SÚJB Decree No. 132/2008 Sb.

Inspections of X-Ray Images and Welded Joints

Radiographs and welded joints were inspected at both nuclear power plants by means of radiological and ultrasound testing in 2016, according to a decision to carry out special inspections of all welded joints at selected equipment (Dukovany NPP: from 2000 to 2015; Temelín NPP: from commissioning to 2015) based on findings made at the Dukovany Nuclear Power Plant in 2015.

In line with conclusions made by an internal committee of inquiry, ČEZ adopted a number of personnel, systemic, and organizational measures:

- Several employees were removed from their offices; others had their salaries significantly reduced.
- ČEZ's capacities were enhanced and ČEZ subsidiaries were utilized as much as possible; an important role is now played by ÚJV Řež as it replaced contractors in the performance of selected nondestructive tests at nuclear power plants with effect from June 1, 2016.
- A "third generation" of contracts with contractors have been introduced to guarantee, for example, restrictions on flat maintenance fees and contractor chains; in addition, a comprehensive contractor performance and job quality control system have been introduced.
- Internal measures aimed at simplifying the management structure and enhancing internal controls were taken.
- A new Quality Control unit and a new Special Processes and Technical Quality Management unit were created.

The total number of welds inspected in 2016 was approximately 15,000 at the Dukovany Nuclear Power Plant and approximately 10,500 at the Temelín Nuclear Power Plant.

Business Environment

The year 2016 can be described as the first year that the following national strategy documents, approved for the energy sector in 2015, were being fulfilled throughout:

- Updated State Energy Policy (USEP)
- National Action Plan for Nuclear Energy (NAP NE)
- National Action Plan for Smart Grids (NAP SG)
- National Action Plan for Clean Mobility (NAP CM)

The State Energy Policy (SEP) is a key national strategy document for the energy sector, providing strategic specifications for the development of the Czech energy sector until 2040. The SEP's mission is to ensure a reliable, safe, and environmentally-friendly supply of energy to meet the needs of the population and national economy and to make sure that Czechia has access to an uninterrupted supply of energy even in case of emergency. The SEP also reflects the targets of the European Union's climate and energy policy. The approval to the SEP is a step toward creating a more stable and more predictable environment in the energy sector; however, only ensuing follow-up tasks will shape the direction taken by CEZ Group in the future.

In terms of the anticipated utilization of individual types of energy sources, a positive signal is given by the fact that the emphasis put on decarbonization and the expected remaining service life of coal-fired facilities in the period until 2040 is in line with CEZ Group's expectations and assumptions. In particular, the SEP proposes greater diversification of sources and intent to preserve the existing full independence in heat and electricity supply but without any major exports of generated energy. This can only be accomplished by further developing nuclear energy in Czechia; this matter is dealt with in detail by the National Action Plan for Nuclear Energy (NAP NE).

The Ministry of Industry and Trade evaluated SEP fulfillment at the end of 2016, concluding that 14 tasks had been fully accomplished, 7 tasks were accomplished partially, and 13 tasks were in progress. Practically all tasks with deadlines in 2014 and about a half of tasks with deadlines by the end of 2015 or during 2016 have been accomplished.

The NAP NE, as a follow-up document to the USEP, describes options for and risks to future development of nuclear energy in Czechia. It declares the government's interest in further development of nuclear energy in Czechia. A standing committee on nuclear energy was established. The NAP NE envisages building new nuclear units at both Dukovany and Temelin, while the number and location of units are to be detailed at a later date. It recommends working on the construction of one unit at Temelin and one unit in Dukovany with possible expansion to two units at each site. In the NAP NE, the government set the goal to define an investment and business model for the construction of new nuclear units by the end of 2016; the model should specify which solution for the construction of new nuclear units is acceptable for the state, contractors, and the investor. Due to the fact that work on the fulfillment of the NAP NE were delayed at the very beginning, until a government representative for nuclear energy was appointed, no major milestone in NAP NE fulfillment has been achieved yet. The creation of the National Action Plan for Smart Grids (NAP SG) was driven most importantly by the need to ensure integration of large amounts of electricity generated by intermittent sources into Czechia's electricity system and the expected increase in generation also at small facilities connected to the distribution grid. This cannot be handled without adopting a new management method for the electricity system and smart grids. The NAP SG envisages gradual introduction of smart distribution grids and other measures in several stages. Investments in smart grids are investments in infrastructure and will be reflected in the regulated component of the price of electricity, so the method and speed of smart grid introduction will have to be matched by benefits for consumers. The NAP SG is principally progressing on schedule. The National Action Plan for Clean Mobility (NAP CM) is based on an EU directive that defines member states' obligation to develop an appropriate infrastructure of charging and filling stations for electromobility and natural gas. The NAP CM specifies requirements for the construction of filling and charging stations between 2020 and 2030. Therefore, the document includes not only an analysis of the current situation and future progress in the market but also a number of measures that it would be advisable to progressively implement in the next years to successfully increase the number of electric and alternative fuel vehicles and build the necessary infrastructure. A key principle in the NAP CM is the principle of technological neutrality, that is, not focusing the public sector's support on just a single type of alternative fuels. The NAP CM can also be said to be progressing according to its anticipated schedule. Basic boundary conditions for the necessary development of charging infrastructure were prepared in 2016, as part of the implementation of the Clean Vehicles Directive in the Czech Fuels Act.

In addition, more certainty and guarantees for the operators of promoted energy sources (renewable energy sources, combined heat and power, and secondary sources) were eventually achieved in 2016, when Czechia obtained additional notifications, an agreement was reached among the Energy Regulatory Office, Ministry of Industry and Trade, and Office for the Protection of Competition, and the legitimacy of the announcement and payment of aid for “existing” sources was confirmed. All that remains for Czechia to do in 2017 is obtain notifications for combined heat and power commissioned after January 1, 2013 and for secondary sources commissioned since the same date.

The Czech electricity market is fully liberalized. Access to the grid is implemented by means of regulated access to the transmission and distribution systems. The wholesale electricity market in Czechia is part of a larger Central European market, thanks primarily to extensive cross-border transmission capacities between Czechia and the transmission systems of other countries.

Prices in the wholesale market are determined on the POWER EXCHANGE CENTRAL EUROPE (PXE) and through bilateral contracts. However, the most prominent role in price determination is played by the German market and its EEX exchange in Leipzig. Trading in electricity on Czechia’s power exchange ranges from year-ahead to day-ahead contracts. Anonymous trading on a daily basis is also possible on the organized markets of OTE, which offer day-ahead as well as intraday trading.

Around 30 traders have been actively operating on the wholesale market for several years. There were four electronic broker platforms with varying levels of liquidity in operation at the end of 2016. The day-ahead electricity market in Czechia is coupled with the markets in Hungary, Romania, and Slovakia.

CEZ Group is an advocate of market liberalization and endeavors to contribute to increased market transparency through its activities. It affirmed this position in 2016 in discussions concerning the preparation of the European Union’s “winter package” (see Legislation of the European Union below in this Section for details), especially the “market design” part. It also strives to support its positions through membership in professional associations such as EURELECTRIC, EFET, and IETA.

The principal trading channels for the forward market are the PXE and the OTC market (broker platforms and bilateral contracts); organized short-term trading (OKO) arranged by OTE, a.s. has remained the principal trading channel for the spot market.

Ancillary services are purchased by the transmission system operator at auctions as a wide range of products for various periods of time. The Czech market is one of the most competitive in Europe in this segment, with independent producers outside of CEZ Group offering more than half of the necessary capacity of ancillary services. In terms of technical units, ČEZ’s share in supplies of ancillary services in 2016 was 33.5%; the entire CEZ Group’s share was 41.4% (approximately the same as in 2015).

Czechia’s retail electricity market (market in electricity supplies to end-use customers) is fully liberalized. The active approach of several dozens of electricity traders makes for a highly competitive environment at the level of developed European markets.

There are around 61 traders, with more than 100 connection points registered with OTE, a.s., actively involved in the retail market, supplying electricity to end-use customers. The number of traders increased year-on-year after several years of stagnation. According to OTE, a.s. data, there were a total of 359,536 supplier switches at all voltage levels in 2016 (approximately 6.2% of connection points switched electricity suppliers), while the 2015 figure was 277,635 switches (approximately 4.8% of connection points).

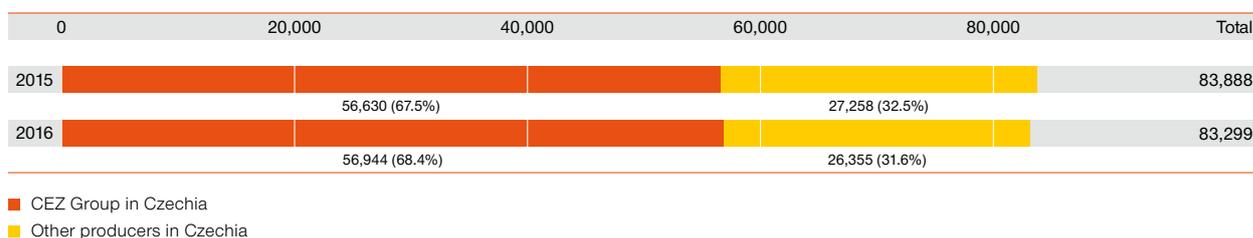
With the fully liberalized and transparent wholesale electricity market in Czechia (functional PXE exchange), the potential of other producers outside CEZ Group, and the transmission capacities of cross-border lines, more than half of electricity consumption in Czechia can be covered by producers other than ČEZ.

A new parameter, “Market Factor,” was introduced in electricity distribution in 2016 to allow factoring in nonrecurrent costs associated, for example, with a change in legislation. Additionally, the procedure used to determine the rate of return defined as the weighted average cost of capital (WACC) was reviewed.

While the overall cross-border export capacity remained the same, the average wholesale price spread between Czechia and Germany increased from 0.70 EUR/MWh (difference between the OKO and EPEX spot markets) in 2015 to 2.17 EUR/MWh in 2016. Thus, electricity was slightly more expensive in Czechia again.

The natural gas market in Czechia is also fully liberalized and operates on similar fundamental principles as the electricity market. Most of the active traders offer both commodities to their customers, and more and more customers in turn have both electricity and natural gas supplied by the same supplier. ČEZ Prodej, a member of CEZ Group, further reinforced its position as a major gas supplier in 2016. At the end of 2016, it supplied gas to 397,455 connection points (as compared to 384,204 connection points at the end of 2015) and was thus the largest alternative supplier of natural gas in Czechia with an approximately 10% market share in terms of connection points. The second largest alternative gas supplier served just about 189,000 connection points. There are around 59 active traders (traders that have more than 100 connection points registered with OTE) operating on the retail market in gas supplies to end-use customers. Their number grew year-on-year after several years of stagnation. There were 203,950 gas supplier switches throughout Czechia in 2016, with the number decreasing for four years in a row. Approximately 4.9% of connection points switched their supplier of natural gas in 2016, which is 1.3 percentage points less than electricity supplier switches; in 2015, gas supplier switches were 0.5 of a percentage point lower than electricity supplier switches. Demand for electricity in Czechia increased by 1.9% in 2016 (source: ERO); temperature- and calendar-adjusted demand increased by 0.7%. Residential customers' demand (adjusted demand) increased by 3.1% (1.9%).

Electricity Generation in Czechia, Gross (GWh)



Legislation in Czechia

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Fundamental legal regulations governing private law relationships in Czechia and the status and activities of business corporations are Act No. 89/2012 Sb., Civil Code, and Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act), both effective since January 1, 2014.

The Civil Code was amended in the period in question by Act No. 460/2016 Sb., with effect from February 28, 2017.

The Business Corporations Act was amended by Act No. 458/2016 Sb., which entered into effect on January 14, 2017.

Furthermore, ČEZ, a. s. as an issuer of securities admitted to trading on a public market is also governed by Act No. 256/2004 Sb., on capital market undertakings, which was amended in the period in question by Act No. 148/2016 Sb. entering into effect on June 1, 2016.

In seeking suppliers, ČEZ was also bound by Act No. 137/2006 Sb., on public contracts, which was repealed by Act No. 134/2016 Sb., on public procurement, coming into effect on October 1, 2016.

Alongside this general legal framework, the energy legislation whose basis is formed by the following regulations is also crucial to CEZ Group:

- Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in energy industries and on amendments to some acts (Energy Act)
- Act No. 18/1997 Sb., on the peaceful use of nuclear energy and ionizing radiation (Atomic Energy Act) and on modifications and amendments to some acts
- Act No. 406/2000 Sb., on energy management
- Act No. 165/2012 Sb., on promoted energy sources and on amendment to some acts
- Act No. 44/1988 Sb., on the protection and utilization of mineral resources (Mining Act)

In addition to these core energy sector regulations, the energy business—especially electricity and heat generation—is increasingly affected by environmental legislation. The following acts can be regarded as crucial in that area:

- Act No. 201/2012 Sb., on air protection
- Act No. 383/2012 Sb., on conditions for trading in greenhouse gas emission allowances
- Act No. 76/2002 Sb., on integrated pollution prevention and control, on the integrated pollution register, and on amendments to some acts (Integrated Prevention Act)

The following amendments to these laws were made in 2016:

- Act No. 201/2012 Sb., on air protection, was amended by Act No. 369/2016 Sb., which expands the supervisory powers of air protection authorities (with effect from January 1, 2017).
- Act No. 165/2012 Sb., on promoted energy sources and on amendment to some acts, was amended by Act No. 107/2016 Sb., introducing more relaxed rules for eligibility for aid for producers whose main business activity is farming, and Act No. 190/2016 Sb., modifying the powers of the Board of Energy Regulatory Office under the act on promoted energy sources.
- Act No. 44/1988 Sb., on the protection and utilization of mineral resources (Mining Act), was amended by Act No. 89/2016 Sb., regulating fees for concessions and for extracted minerals; it also changed the calculation of fees for extracted minerals with the aim of simplifying the determination of fees while improving the efficiency of public authorities' control.
- New Act No. 263/2016 Sb., Atomic Energy Act (referred to as the “new Atomic Energy Act” below) and Act No. 264/2016 Sb., amending some acts in relation to the adoption of the Atomic Energy Act, were passed on July 14, 2016 with effect from January 1, 2017.

This is a significant legislative change for the operation of existing and future construction of new nuclear units, bringing about a range of new requirements for nuclear installations.

The act enhances the efficiency of public administration in the siting, construction, commissioning, and operation of new nuclear power plant units by specifying additional or more detailed technical requirements as well as modifying procedural rules.

The new Atomic Energy Act imposes considerably more detailed rules than the previous Atomic Energy Act (the new Atomic Energy Act has almost 240 sections as opposed to approximately 50 sections of the previous Atomic Energy Act). It newly regulates institutions that have already been used in practice but without a legal basis (for example, safety culture, periodic safety review). It makes significant changes to terminology (for example, changing the name for the category of “quality” in Czech, physical protection—now security, emergency preparedness—now radiation emergency management system).

There are some completely new requirements applying to the physical protection of nuclear installations and nuclear materials. Compliance with them has major technical and organizational impacts. There are also new requirements for the security of sources of ionizing radiation.

The transitional period for adaptation to the requirements in the Atomic Energy Act is generally specified as two years, that is, until December 31, 2018. However, it is specified differently in a number of cases—for example, it is just one year for emergency preparedness and radiation protection and three years for the documentation of some licensed activities.

The act expands the options for using money from the Nuclear Account, for example, paying a lump-sum contribution of CZK 50,000,000 to municipalities on whose territory a protected area for the underground disposal of radioactive waste (deep geological repository) is delimited.

The new act changes the rate of a regular fee per generated MWh of electricity from the previous CZK 50 to CZK 55. The fees are transferred to the Nuclear Account.

Secondary legislation implementing the above acts or amending other implementing regulations was also issued in 2016.

- For Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in energy industries and on amendments to some acts (Energy Act):

1. New Decree No. 8/2016 Sb., on the details of licensing for doing business in energy industries (with effect from February 1, 2016)

The new decree was issued in reaction to a major amendment to the Energy Act made by Act No. 131/2015 Sb.

2. New Decree No. 16/2016 Sb., on conditions for connection to the electricity system (with effect from February 1, 2016)

The new decree reflected the simplification of conditions for the operation of small sources of up to 10 kW, which are not required to hold an electricity generation license issued by the Energy Regulatory Office, and introduced a simplified connection procedure for microsources. The decree has also laid down uniform general rules for the connection of electricity market participants' facilities to a transmission system or a distribution system while taking account of the specifics of the different manners of connection of different electricity market participants' facilities to the electricity system.

In addition, the decree has substantially changed the procedure for negotiating the terms of connection to the system, under which an application is submitted and terms of connection are negotiated for a single point of connection now rather than a consumption or interconnection point, as before, as these can have multiple connection points.

3. Amendment to Decree No. 82/2011 Sb. on electricity metering and the method for determining damages in case of unauthorized consumption, unauthorized supply, unauthorized transmission, or unauthorized distribution of electricity, made by Decree No. 152/2016 Sb. (with effect from June 1, 2016)

The amendment to the decree primarily reflected a newly introduced option for customers to have a higher-level meter installed at their service point (for "smart" metering) and specified a new type of measurement, "M", which can often be more cost-effective and more convenient than the more sophisticated B-type measurement.

4. New Decree No. 70/2016 Sb., on the billing of supplies and related services in energy industries (with effect from July 1, 2016)

The decree has expanded the scope of required information to be included in bills for supplies and related services, for example, information concerning the average price in the billing period, with the aim of providing customers with information allowing easier comparison of price levels for commodities and supplied services.

5. New Decree No. 404/2016 Sb., on the particulars and structure of report forms required for the preparation of reports on system operation in energy industries, including reporting dates, scope, and rules (Statistics Decree) (with effect from January 1, 2017)

The decree specifies the scope of data that must be reported by license holders to the Energy Regulatory Office pursuant to the Energy Act. It introduces a new reporting obligation for the heat sector.

6. Amendment to Decree No. 349/2015 Sb., on Gas Market Rules, made by Decree No. 416/2016 Sb. (with effect from January 1, 2017)

Main changes in the Gas Market Rules Decree consist in modified conditions for access to gas storage facilities, updated mechanisms for the management of transport capacity shortage with procedures for the management of capacity excesses with contractual capacity excesses, and amended provisions that were identified as allowing ambiguous interpretation of the processes or containing a typing or stylistic error.

- For Act No. 406/2000 Sb., on energy management:

Amendment to Decree No. 480/2012 Sb., on energy audit and energy evaluation, made by Decree No. 309/2016 Sb. (with effect from October 11, 2016)

The decree reacted to an amendment made to the Energy Management Act in 2015, which transposed the obligation to carry out an energy audit for entrepreneurs that are not small or medium-sized businesses into Czech law and introduced the obligation to carry out a cost-benefit analysis to identify the potential of high-efficiency cogeneration and opportunities for waste heat utilization. The decree sets forth details for the preparation of energy audits and energy evaluations with respect to the law.

- For Act No. 165/2012 Sb., on promoted energy sources and on amendments to some acts:
 1. **New Decree No. 9/2016 Sb., on procedures for the registration of support with the market operator and the implementation of some other provisions of the Promoted Energy Sources Act (Registration Decree)** (with effect from January 11, 2016)
This decree sets down the time limits and procedures for choosing the form of electricity support with the market operator, the procedure for registering the form of electricity support and operating support with the market operator, the time limits and procedures for choosing and changing the modes of green bonus for electricity, and the time limit for a renewable electricity producer's offering electricity to a mandatory purchaser.
 2. **New Decree No. 37/2016 Sb., on electricity from high-efficiency cogeneration and electricity from secondary sources** (with effect from January 21, 2016)
The decree provides a more detailed definition of a cogeneration unit and more detailed specification of its system boundaries, with effect from January 1, 2017. Operators whose generating facilities did not meet the definition had to apply for a new CHP electricity generation certificate for the cogeneration unit in question. This modification to the definition of a cogeneration unit can impact the total amount of support received by the producer in some cases.
The decree also specifies a more detailed procedure for the determination of the amount of supported CHP electricity and reflects new EU legislation, specifically Commission Regulation (EU) 2015/2402 of October 12, 2015 reviewing harmonized efficiency reference values for separate production of electricity and heat in application of Directive 2012/27/EU of the European Parliament and of the Council.
 3. **New Decree No. 145/2016 Sb., on the reporting of electricity and heat from promoted sources and the implementation of some other provisions of the Promoted Energy Sources Act (Promoted Source Energy Reporting Decree)** (with effect from June 1, 2016)
The new regulation reflects new, more detailed rules applicable to metering required for the determination of relevant supported amounts (that is, the metering of electricity or heat and related amounts of fuel) and lays down conditions for the use of direct and indirect metering methods for heat or amounts of fuel used.
The decree also reflects the introduction of new operating support for heat; for example, it newly specifies the commissioning procedure for a heat generation facility to avoid any doubt about the date from which support can be received if statutory conditions are met.
The decree also provides for aggregation of data reported in various report forms to decrease the total number of submitted forms, so it reduces the administrative burden on respondents to a certain extent.
 4. **Amendment to Decree No. 296/2015 Sb., on technical and economic parameters for the determination of purchase prices for electricity generation and green bonuses for heat and on the determination of the service life of renewable electricity and renewable heat generation facilities (Decree on Technical and Economic Parameters), made by Decree No. 266/2016 Sb.** (with effect from January 1, 2017)
With regard to changes in the purchase costs of some technologies for environmentally friendly electricity generation, the Energy Regulatory Office decided to review input parameters for setting the amount of support. It has reduced the specific investment costs usable for the determination of purchase prices and bonuses by 10,000 CZK/kW_e for small hydroelectric power plants commissioned or reconstructed after January 1, 2017.
 5. **Government Order No. 310/2016 Sb., specifying public funds pursuant to Section 28(3) of the act on promoted energy sources for the year 2017** (with effect from January 1, 2017)
In the order, the government specifies the amount of national budget funds to cover additional costs associated with support for promoted energy sources, which increases by more than CZK 4 billion year-on-year to a total of CZK 26.185 billion (in 2016, the government allocated CZK 21.965 billion from the national budget to this end).
- As for Act No. 263/2016 Sb., Atomic Energy Act ("new Atomic Energy Act"), some secondary legislation implementing the new Atomic Energy Act was issued in the fourth quarter of 2016 with effect from January 1, 2017. Many implementing regulations will be issued after January 1, 2017 (more than 20 implementing regulations will be issued altogether).

Legislation of the European Union

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The EU legal framework and changes thereto are applicable to Czechia as a member state of the European Union. When amending their national laws, member states are required to implement (in the case of directives) or directly comply with (in the case of regulations and decisions) EU legislation. At this level, 2016 was another year in which amendments and new legislation were adopted, and new proposals were announced by the European Commission, which are significant for CEZ Group's business activities:

1. EU Council decision of April 11, 2016 on the ratification of the Paris Agreement concluded under the United Nations Framework Convention on Climate Change

In this decision, the EU undertook to sign the Paris Agreement concluded under the UN Framework Convention on Climate Change at the 21st international climate conference (COP 21). The document has a profound impact on global efforts to reduce greenhouse gas emissions.

2. Commission Regulation (EU) 2016/631 of April 14, 2016 establishing a network code on requirements for grid connection of generators

The network code was adopted with a view to implementing Regulation (EC) No. 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in electricity and lays down detailed conditions for grid connection of power-generating facilities, namely synchronous power-generating modules, power park modules, and offshore power park modules, to the interconnected electricity system. In addition to the detailed conditions for grid connection of generating facilities, it contains a range of regulatory aspects, including the obligations of transmission system operators and owners of generating facilities.

3. Commission Regulation (EU) 2016/1388 of August 17, 2016 establishing a Network Code on Demand Connection

The second network code adopted in 2016 introduces more detailed rules for the connection of, for example, new transmission-connected distribution facilities and new distribution systems, including newly connected closed distribution systems. In addition to these new electricity system elements, it also lays down conditions for existing facilities. Under the Czech market's business conditions, it effectively applies to individual transmission and distribution system operators as well as the operators of installations generating electricity from renewable energy sources.

4. Commission Regulation (EU) 2016/1447 of August 26, 2016 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules

The next EU network code applies to individual transmission system operators. Its purpose is to help ensure fair conditions of competition in the internal electricity market. Fair competition in the market should be increased by the integration of renewable electricity sources into the transmission system, which the code should help to achieve.

5. Commission Regulation (EU) 2016/1719 of September 26, 2016 establishing a guideline on forward capacity allocation

The regulation provides a general guidance framework for forward capacity allocation among transmission system operators across the EU except island transmission systems. Besides general objectives for forward capacity allocation, it lays down rules for the adoption of methodologies, including conditions for stakeholders' involvement in consultation processes.

6. Council Decision (EU) 2016/1841 of October 5, 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change

The Council decision, issued during Slovakia's presidency, summarizes the conformity of the Paris Agreement with the EU's environmental objectives and calls on member states to take the necessary steps with a view to its ratification at national level.

7. Regulation (EU) 2016/1952 of the European Parliament and of the Council of October 26, 2016 on European statistics on natural gas and electricity prices and repealing Directive 2008/92/EC

This regulation unifies the methodology for providing the European Commission with data on gas and electricity prices charged to final customers in two categories, large industrial end-users and households and other retail customers. It is based on Eurostat's practice to date. There are no major changes from the previous directive in respect of market impact, as the methodology for calculating reported prices remains in line with existing legislation.

8. Commission Implementing Decision (EU) 2016/2132 of December 5, 2016 on greenhouse gas emissions for each Member State for the year 2013 covered by Decision No. 406/2009/EC of the European Parliament and of the Council

The implementing decision changes original Decision No. 406/2009 laying down limits for greenhouse gas emissions for each member state on an annual basis for 2013–2020 and the mechanism of an annual review of compliance with the limits.

Regulation of the Emission Allowance Market

There was continued discussion in 2016 about a reform of the EU ETS, that is, Directive 2003/87 of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC. No significant progress was made by the Council but the European Parliament's ENVI Committee reached an agreement on the necessity of increasing ambitions for the system, preserving free allocations for the heat sector, and continue with support for investments in the energy sector after 2020 (by means of derogations and the newly prepared Modernization Fund).

Winter Package—Clean Energy for All Europeans

The European Commission published its proposal for an extensive legislative package named “Clean Energy for All Europeans” on November 30, 2016. Its goal is to transform the European energy market to make it barrier-free, interconnected, based on renewable energy sources, flexible, with full participation by the demand side, and based on market principles in the future. The package includes several legislative proposals covering a new electricity market design, renewable energy, security of electricity supply, energy efficiency, and governance rules for the Energy Union. The proposals will be discussed in 2017 and in the subsequent years, if necessary. In addition, the European Commission proposes a new way forward for ecodesign. The package also includes nonlegislative proposals, reports, and initiatives such as a strategy for connected and automated mobility, a report on energy prices and costs, and a report on inquiry into capacity mechanisms.

Regulation of the Electricity and Natural Gas Wholesale Markets

Disclaimer: This section contains selected information concerning legislation and was drawn up with the greatest possible care. However, it cannot be regarded as qualified legal advice or a complete list of relevant laws. ČEZ, a. s. may not be held liable for any legal act taken or refrained from on the basis of the provided overview.

Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of October 25, 2011 on wholesale energy market integrity and transparency (“REMIT”), which entered into effect on December 28, 2011, introduced regulation of the wholesale energy market at EU level. Market participants are required to publicly disclose certain inside information concerning their business in an effective and timely manner, prohibited to use abusive practices in trading, and required to register their business in a register of participants and report transactions in the wholesale energy market. Market participants’ fulfillment of obligations arising from the Regulation is overseen by the Agency for the Cooperation of Energy Regulators (“ACER”) and the Energy Regulatory Office. Disclosures of inside information include information relevant to the outages, capacity, and use of facilities for electricity and gas production, consumption, or transmission. CEZ Group discloses such information on a specialized information portal run by the EEX at www.eex-transparency.com/homepage/power/czech-republic. The disclosure concerns all CEZ Group facilities in Czechia, including spun-off facilities. Information on CEZ Group facilities abroad is provided on the relevant national websites at: www.cez.bg/bg/za-nas/kompaniite-v-balgariya/tets-varna/remit.html; www.cezpolska.pl/pl/cez-w-polsce/cez-chorzow-s-a/remit.html; www.cezpolska.pl/pl/cez-w-polsce/cez-skawina-s-a/remit.html.

In compliance with REMIT, CEZ Group has been reporting bilateral transactions entered into outside organized markets since April 2016.

Regulation (EU) No. 648/2012 of the European Parliament and of the Council of July 4, 2012 on OTC derivatives, central counterparties, and trade repositories (“EMIR”) entered into force on August 16, 2012. Its objective is to mitigate risks arising from trading in OTC derivatives. In compliance with EMIR, ČEZ calculates its open derivative OTC position daily and is currently classified as a “Nonfinancial Counterparty Minus” under the clearing threshold. Since February 2014, ČEZ has been reporting all commodity, interest rate, and currency derivative transactions with financial settlement to a trade repository. ČEZ chose REGIS-TR for discharging these obligations.

Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse (“MAR”) and Directive 2014/57/EU of the European Parliament and of the Council on criminal sanctions for market abuse (“CSMAD”) entered into effect in July 2016. MAR establishes a common regulatory framework on insider dealing, unlawful disclosure of inside information, and market manipulation and introduces measures to prevent market abuse. CSMAD establishes minimum rules for criminal sanctions for insider dealing, for unlawful disclosure of inside information, and for market manipulation. ČEZ has established rules and introduced measures to prevent market abuse in compliance with MAR. MAR is an equivalent of REMIT in the prevention of market abuse for the market in financial instruments, which include some commodity derivatives linked to electricity and gas. It also applies to trading in emission allowances.

Brief Forecast of Developments in the Energy Sector With Respect to CEZ Group

Europe’s energy sector is significantly changing. Electricity wholesale prices are low in comparison with the past, largely due to low prices of energy commodities but also due to increasing generation of renewable energy. Simultaneously, the prices of new technologies are falling, which advances not only energy sector decentralization but also new business models.

Global commodity markets keep experiencing technological revolution concerning the extraction of oil and shale gas. The success of the extraction technology in the U.S. was directly reflected in dropping prices of crude oil, which fell to its 12-year low in 2015. Although crude oil prices have stabilized at around 50 USD/bbl in the second half of 2016, market imbalance and large inventories limit further growth. All this despite OPEC countries’ agreement to cut oil production—the first such agreement since 2008.

Changes in crude oil prices are also reflected in the prices of other energy commodities—hard coal and natural gas. Coal prices will be largely determined by the situation in China, whose government is attempting to stabilize the coal market. However, its alternating restriction and liberalization of mining is more likely to create uncertainty and related price volatility in the market. In the long term, coal consumption will also be curtailed by ever more strict regulation of emissions. In light of recent investments in the expansion of mining and transportation capacities worldwide and the slow growth in global demand, world coal and gas markets will remain sufficiently supplied in the next few years. As a result, fuel prices are likely to stagnate.

The European Union’s political ambitions still include the reduction of emissions in electricity generation and a desire to become the global leader in renewable energy sources. To aid these goals, the European Commission presented its “winter package” in November 2016 to set the rules for the energy sector in the next decade.

The European Union’s long-term goal remains striving to cope with climate change as well as decreasing dependence on energy imports. To that end, the EU set ambitious targets for 2030 in late 2014. CO₂ emissions should be reduced by 40% from 1990 levels by 2030, the share of renewables should increase from today’s 15% to 27% of consumed energy (that is, not just electricity), and energy efficiency should increase, indicatively, by 30%. Implementing these targets will affect the energy sector profoundly.

The EU’s main tool for emission reduction is trading in emission allowances within the EU ETS (EU Emissions Trading System). However, today’s low prices of emission allowances in the EU ETS fail to drive investment in low-emission technologies or the substitution of environmentally unfriendly fuels. The decrease in the prices of emission allowances is a result of an increasing surplus caused by a downturn in economic activity in the previous years. Therefore, EU institutions are preparing a reform of the system to increase its resistance to big shocks by adjusting the supply of emission allowances at auctions. The Market Stability Reserve should be launched in 2019 and should lead to a progressive increase in the price of emission allowances. Nevertheless, the EU ETS remains fragile due to its overlap with the goals to increase renewable generation and boost energy efficiency.

The European Commission’s winter package covers, among other things, a legislative framework for the development of renewable sources and improvement in energy efficiency. Renewables covered more than 25% of European energy consumption in 2016 and their share will keep increasing. It should be 47% by 2030. This will mean less space for conventional energy.

Increased generation at photovoltaic plants will cause a further decrease in the prices of electricity during today’s peaks. Unstable, weather-dependent supply will require large flexible capacity at power plants or higher flexibility on the side of consumption, and will undoubtedly contribute to the advancement of electricity storage technologies. Deformed by the constant creation of new regulatory measures, the market lacks the necessary stability for making long-term, market-based investment decisions. Thousands of megawatts of conventional capacities are shut down throughout Europe due to economic uncompetitiveness. A number of European countries are therefore considering the introduction of capacity markets to ensure sufficient capacity supply. Such markets are based on remunerating power plants for their available capacity rather than generated electricity.

A key factor for the energy sector’s future is technological advancement. Significant progress has been made especially in renewable energy generation in recent years. Capital expenditures on photovoltaic installations have dropped by more than 70% during the past five years and a further decrease is expected by 2025. Costs have been decreasing and parameters have been improving rapidly for other types of renewable energy sources, small CHP units, or energy storage technologies, too. Technological advancement will result in increased energy decentralization at the expense of large facilities. The advancement of distributed generation will be driven more and more by cost competitiveness rather than subsidies as before. At the same time, distributed generation will bring about new business opportunities for energy companies.

Mining

Severočeské doly

Extraction, treatment, and sales of brown coal constitute the core business of Severočeské doly (www.sdas.cz). The company maintained its position as the largest Czech brown coal mining company in terms of coal production volume in 2016. However, since a majority of its production is intended for in-house consumption within CEZ Group, Severočeské doly is one of the smaller players in the free coal market. Coal is extracted in the Nástup Tušimice Mines and Bílina Mine.

The Bílina Mine, operating in the Teplice-Bílina area, extracts coal with a high calorific value and low content of harmful substances. It supplies thermal coal primarily to the Mělník, Ledvice, and Počerady power plants. Its 2016 production was 9.4 million tons of coal. This required removing 58.6 million cubic meters of overburden. An important item in the company's portfolio is the Bílina sized coal, of which it supplied 2.0 million tons.

The Nástup Tušimice Mines extract brown coal in the westernmost part of the Ústí nad Labem Region between the communities of Černovice, Spořice, Droužkovice, and Březno. Their 2016 production was 12.0 million tons of coal. Most of the production was delivered to local power plants in Tušimice and Pruněřov. Outside CEZ Group, coal deliveries were made primarily to the Opatovice Power Plant. The amount of overburden removed reached 20.3 million cubic meters.

Coal Sales

Coal Sales, by Customer (Millions of Tons)



- Members of CEZ Group
- Power plants and heating plants (over 50 MW)
- Other dealers' networks, including plants under 50 MW
- Export

Severočeské doly sold a total of 21.4 million tons of fuel in 2016, registering a year-on-year increase of 0.4 million tons.

Capital Expenditures in 2016

Severočeské doly spent CZK 2.1 billion on capital construction in 2016. The major part of its capital investment program comprised projects to ensure the progress of extraction in its two mines. The structure of capital investment consists primarily of deliveries, renovation, and upgrades of mining equipment and dressing and crushing plants, and construction of stabilization measures and water management structures.

Brown Coal Mining Outlook for 2017

Severočeské doly plans to produce 23 million tons of coal in 2017. Fuel deliveries will be determined primarily by the needs of coal-fired power plants, which are in turn based on demand for electricity and also related to winter temperatures.

LOMY MOŘINA

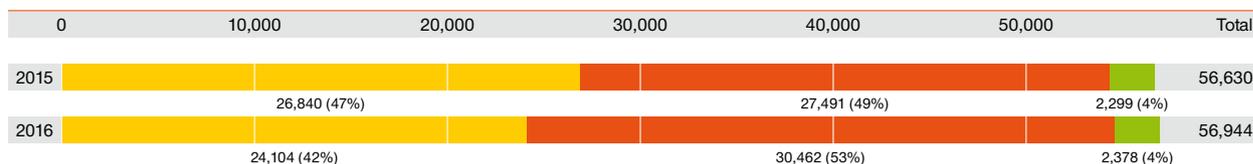
The company's core business consists of the quarrying and processing of construction aggregate and high-percentage limestones utilized in flue-gas desulfurization (FGD) systems. The company is a major supplier of limestone for use in the FGD systems of coal-fired power plants of ČEZ a. s., to which it supplies approximately 600,000–750,000 tons of limestone per year, covering around 70% of their consumption. In 2016, the share was approximately 65%. Supplies to ČEZ, a. s. power plants totaled approximately 740,000 tons of limestone. The forecast for 2017 is approximately 650,000 tons. Customers purchasing construction aggregate, the company's other important commodity, are entities outside CEZ Group and the company sells them around 250,000–450,000 tons of the material per year. Verified limestone reserves provide good prospects for sustained, long-term extraction operations.

Generation

Electricity Generation

In 2016, CEZ Group power plants in Czechia generated a total of 56,944 GWh of electricity, which means a year-on-year increase of 314 GWh (+0.6%).

Electricity Generated by CEZ Group in Czechia, Gross (GWh)



- Nuclear power plants
- Coal, gas and CCGT power plants
- Hydro, photovoltaic, wind, and biogas power plants

The biggest decrease of 2,737 GWh (-10.2%) occurred at nuclear power plants Dukovany and Temelín due to extended scheduled and unscheduled outages.

In contrast, the production of electricity from coal increased by 1,570 GWh (+5.9%) and in CCGT plants by 1,271 GWh (+234.3%). The increase in production of biomass plants amounted to 131 GWh (+35.4%) and of hydro power plants to 90 GWh (+4.2%) due to better hydrometeorological production conditions in the second half of the year.

In 2016, the CCGT plant in Počerady proved to be an important source. Thanks to its flexibility, it managed to partially replace outages of electricity production in nuclear power plants. In comparison to the original plan, production from this source was more than tenfold.

Heat Generation

A total of 18,196 TJ of heat generated by CEZ Group's facilities in Czechia was delivered to customers in 2016. This represents a year-on-year increase of 936 TJ (+5.4%) in deliveries, due to colder weather during the heating months of 2016.

The largest district heating system supplied by heat from CEZ Group heating plants is the system of the Capital City of Prague. Heat for Prague is generated in Mělník primarily by the Mělník I Heating Plant owned by Energotrans and is supplied to an interconnection point at the edge of Prague through a hot-water transmission pipe. The transmission pipe is operated by ČEZ Teplárenská. The major customer, purchasing heat for Prague and Neratovice, is Pražská teplárenská, to which almost 9,717 TJ of heat was supplied in 2016.

To increase the reliability and variability of heating facilities delivering heat for Prague as well as Neratovice, an interconnecting pipe was built between Energotrans facilities (Mělník I) and the Mělník II Power Plant. In 2016, this interconnecting pipe from Mělník II Power Plant delivered a total of 866 TJ of heat.

Capital Construction

Nuclear Power—Existing Facilities

In the Temelín Nuclear Power Plant, a renovation of the venting system of steam generators took place and technical problems of flow parts of both turbine generators were dealt with. In the Dukovany Nuclear Power Plant, capital expenditure projects related to the planned extension of operation beyond 2016 took place, particularly the renovation of management control systems for non-nuclear equipment and the increase of seismic resistance of load-bearing structures of the 3rd and 4th units.

New Nuclear Facilities (NNPP)

The Shareholders' Meeting of ČEZ held on June 3, 2016 decided to spin off parts of commercial businesses (assets and liabilities) related to projects to new subsidiary project companies. The actual spin-off of a part of the NNPP Temelín commercial business to Elektrárna Temelín II and of the NNPP Dukovany commercial business to Elektrárna Dukovany II took place on October 1, 2016. In accordance with the valid business plan of the project for a new nuclear power plant in Temelín, necessary preparatory activities continued in 2016, especially the fulfillment of conditions set out in the issued EIA opinion and in the issued placement permit, preparation of related and induced capital expenditure and in some cases their implementation as well. Last but not least, an amendment was concluded with ČEPS to the precontract on the connection of NNPP ETE to the distribution system. Geological and hydrogeological surveys of the intended construction site in Dukovany and its neighborhood were carried out as well as environmental surveys of a number of areas that might be affected during the construction or operation of the new nuclear power plant. Preparation of the Notice of Intention pursuant to the EIA, which is necessary for the initiation of the so-called screening and scoping procedure, was completed. The screening and scoping procedure was initiated by the Ministry of Environment on July 28, 2016. Within its framework, all citizens from Czechia and abroad could comment on the planned construction of a new unit in Dukovany. On the basis of the received comments on the EIA Notice of Intention, on December 9, 2016 the MoE prepared the so-called conclusion of the screening and scoping procedure, in which it made recommendations concerning areas of impacts of the project on the environment that should be particularly examined in the EIA documentation. The EIA documentation will be prepared and subsequently submitted to the MoE to continue the process of assessing the environmental impact—the anticipated date is mid-2017, taking into account also the development of legislation (particularly the amendment to Act on the EIA and the amendment to the Building Act).

On December 22, 2016 the Temelín II Power Plant and the Dukovany II Power Plant approved business plans for new nuclear power facilities at the relevant sites. The plan defines in detail the activities for 2017, the implementation of which is necessary in order to be able to launch the new facility within the period specified in the current National Action Plan for the Development of Nuclear Energy in the Czech Republic approved by the Czech government and to preserve the value of projects, while minimizing overall costs incurred in this period.

During January and February 2017, meetings of the representatives of the Ministry of Industry and Trade, the Ministry of Finance, and the CEZ Group with prospective bidders for the construction of new nuclear sources were held in Prague. They included ROSATOM from Russia, Westinghouse from the U.S., the French-Japanese consortium ATMEA, CGN from China, and KHNP from South Korea. The aim of the meetings was to obtain, clarify, or supplement previously provided information which will form a basis for the government's decision-making on the investment and supply model, the method of selection of the contractor, and on financing the construction of new nuclear sources.

Conventional Power

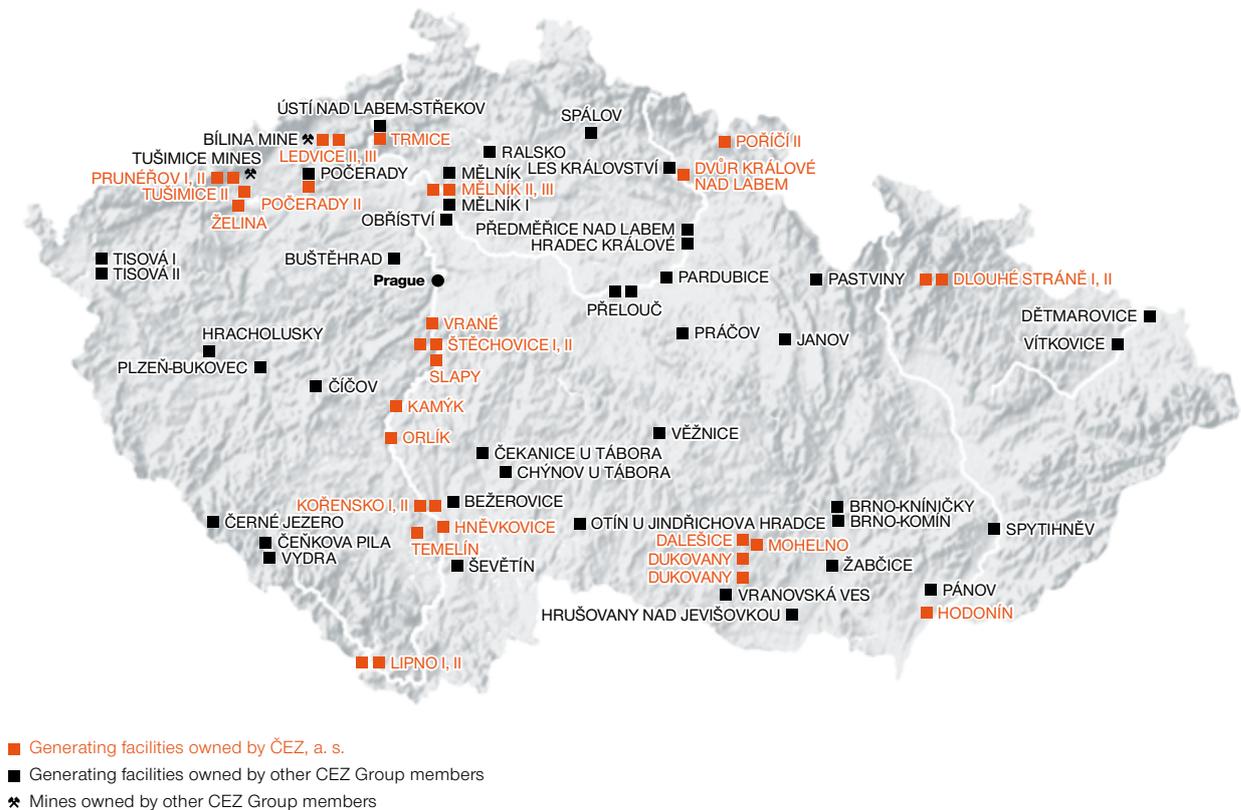
During 2016, a comprehensive renovation of Prunéřov II Power Plant was completed. The installed capacity of the renovated units increased by 3× 40 MW and the units are currently under trial operation. As part of investment projects, the new 660 MW unit at the Ledvice Power Plant was being activated and adjusted. The power plant is operating in the technology verification regime; the shift to standard operation (dispatching management) is expected during 2017.

Installed Capacity

At the end 2016, CEZ Group owned generating facilities in Czechia with a total installed capacity of 13,050.6 MW, which represents a year-on-year decrease by 300 MW. A temporary increase by 130 MW was achieved in the Prunéřov II Power Plant, where the comprehensive renovation of the B23–B25 units was gradually completed in 2016, increasing the installed capacity by 120 MW (3× 40 MW). In connection with this comprehensive renovation, the capacity of the remaining two units (B21 and B22) was also increased by 10 MW (2× 5 MW). The license for these units was, according to the conditions defined in the integrated permit for the comprehensive renovation, valid until December 30, 2016. After this date, the installed capacity of the Prunéřov II Power Plant decreased by 430 MW.

At the beginning of 2016, Teplárna Vítkovice was spun off from ČEZ into a separate subsidiary Energocentrum Vítkovice.

Location of CEZ Group's Generating Facilities in Czechia



List of CEZ Group Power Plants and Heating Plants in Czechia as at December 31, 2016

Nuclear Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Dukovany	ČEZ	4× 510	1985–1987, renovated in 2009, 2010, 2011, 2012
Temelín	ČEZ	2× 1,125	2002–2003
Nuclear power plants, total		4,290.0	

Combined Cycle Gas Turbine Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Počerady II	ČEZ	Gas	2× 284.75; 1× 275.4	2014
CCGT plants, total			844.9	

Coal-Fired Power Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned	Desulfurized Since
Dětmarovice	Dětmarovice Power Plant	Hard coal, brown coal	4× 200	1975–1976	1998
Ledvice II	ČEZ	Brown coal	2× 110	1966	1996
Ledvice III	ČEZ	Brown coal	1× 110	1968	1998
Mělník II	ČEZ	Brown coal	2× 110	1971	1998
Mělník III	ČEZ	Brown coal	1× 500	1981	1998
Počerady	Počerady Power Plant	Brown coal	5× 200	1970–1971, 1977	1994, 1996
Pruněřov I	ČEZ	Brown coal	4× 110	1967–1968	1995
Pruněřov II	ČEZ	Brown coal	3× 250	1981–1982, comprehensive renovation ¹⁾ 2012–2016	1996
Tisová II	Tisová Power Plant	Brown coal	1× 105	1961	1997
Tušimice II	ČEZ	Brown coal	4× 200	1974–1975, comprehensive renovation 2007–2012	1997
Coal-fired power plants, total			4,945.0		

¹⁾ Comprehensive renovation of B23–B25 units.

License to operate the B21 and B22 units with the installed capacity of 2× 215 MW (from August 30, 2016) was valid till December 30, 2016.

Heating Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned	Desulfurized Since
Dvůr Králové nad Labem	ČEZ	Brown coal	1× 3.5; 1× 3.8	1955, 2011	1997
Hodonín	ČEZ	Brown coal, biomass	1× 50; 1× 57	1954–1958	1996–1997
Mělník I	Energotrans	Brown coal	4× 60	1959–1961	1995
Otín u Jindřichova Hradce	Energetické centrum	Biomass	1× 5.6	2008	
Poříčí II	ČEZ	Hard coal, brown coal, biomass	3× 55	1957–1958	1996, 1998
Tisová I	Tisová Power Plant	Brown coal	3× 57; 1× 12.8	1959–1960	1996–1997
Trmice	ČEZ	Brown coal	2× 20; 3× 16; 1× 1	1970, 2013	1997
Vítkovice	Energocentrum Vítkovice	Hard coal	2× 16; 1× 25; 1× 22	1983–1995	
Heating plants, total			876.7		

Hydro Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Accumulation and Run-of-River Hydro Power Plants			
Kamýk	ČEZ	4× 10	1961
Lipno I	ČEZ	2× 60	1959
Orlík	ČEZ	4× 91	1961–1962
Slapy	ČEZ	3× 48	1954–1955
Střekov	ČEZ OZ uzavřený investiční fond ¹⁾	3× 6.5	1936
Štěchovice I	ČEZ	2× 11.25	1943–1944
Vrané	ČEZ	2× 6.94	1936
Accumulation and run-of-river hydro power plants, total		723.9	
Small Hydro Power Plants			
Brno-Kniničky	ČEZ OZ uzavřený investiční fond ¹⁾	1× 3.1	1941
Brno-Komín	ČEZ OZ uzavřený investiční fond ¹⁾	1× 0.106; 1× 0.140	1923, renovated in 2008
Čeňkova Píla	ČEZ OZ uzavřený investiční fond ¹⁾	1× 0.096	1912
Černé jezero	ČEZ OZ uzavřený investiční fond ¹⁾	1× 1.5; 1× 0.04; 1× 0.37	1930, 2004, 2005
Dlouhé Stráně II	ČEZ	1× 0.163	2000
Hněvkovice	ČEZ	2× 4.8	1992
Hradec Králové	ČEZ OZ uzavřený investiční fond ¹⁾	3× 0.25	1926
Hracholusky	ČEZ OZ uzavřený investiční fond ¹⁾	1× 2.55	1964
Kořensko I	ČEZ	2× 1.9	1992
Kořensko II	ČEZ	1× 0.94	2000
Les Království	ČEZ OZ uzavřený investiční fond ¹⁾	2× 1.105	1923, renovated in 2005
Lipno II	ČEZ	1× 1.5	1957
Mělník	ČEZ OZ uzavřený investiční fond ¹⁾	1× 0.590	2010
Mohelno	ČEZ	1× 1.2; 1× 0.56	1977, 1999
Obříství	ČEZ OZ uzavřený investiční fond ¹⁾	2× 1.679	1995
Pardubice	ČEZ OZ uzavřený investiční fond ¹⁾	1× 1.998	1978, renovated in 2012
Pastviny	ČEZ OZ uzavřený investiční fond ¹⁾	1× 3	1938, renovated in 2003
Plzeň-Bukovec	ČEZ OZ uzavřený investiční fond ¹⁾	2× 0.315	2007
Práčov	ČEZ OZ uzavřený investiční fond ¹⁾	1× 9.75	1953, renovated in 2001
Předměřice nad Labem	ČEZ OZ uzavřený investiční fond ¹⁾	1× 2.6	1953, renovated in 2009
Přelouč	ČEZ OZ uzavřený investiční fond ¹⁾	2× 0.68; 2× 0.49	1927, renovated in 2005
Spálov	ČEZ OZ uzavřený investiční fond ¹⁾	2× 1.2	1926, renovated in 1999
Spytihněv	ČEZ OZ uzavřený investiční fond ¹⁾	2× 2	1951, renovated in 2009
Výdra	ČEZ OZ uzavřený investiční fond ¹⁾	2× 3.2	1939
Želina	ČEZ	2× 0.315	1994
Small hydro power plants, total		66.3	
Pumped-Storage Hydro Power Plants			
Dalešice	ČEZ	3× 120; 1× 115	1978
Dlouhé Stráně I	ČEZ	2× 325	1996
Štěchovice II	ČEZ	1× 45	1947–1949, renovated in 1996
Pumped-storage hydro power plants, total		1,170.0	
Hydro power plants, total		1,960.2	

¹⁾ Generation license holder is ČEZ Obnovitelné zdroje.

Photovoltaic Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Bežerovice	ČEZ OZ uzavřený investiční fond ¹⁾	3.013	2009
Buštěhrad	ČEZ OZ uzavřený investiční fond ¹⁾	2.396	2010
Čekanice u Tábora	ČEZ OZ uzavřený investiční fond ¹⁾	4.48	2009
Dukovany	ČEZ	0.01	1998, 2003
Hrušovany nad Jevišovkou	ČEZ OZ uzavřený investiční fond ¹⁾	3.802	2009
Chýnov u Tábora	ČEZ OZ uzavřený investiční fond ¹⁾	2.009	2009
Pánov	ČEZ OZ uzavřený investiční fond ¹⁾	2.134	2010
Přelouč	ČEZ OZ uzavřený investiční fond ¹⁾	0.021	2009
Ralsko	ČEZ OZ uzavřený investiční fond ¹⁾	55.762	2010
Ševětín	ČEZ OZ uzavřený investiční fond ¹⁾	29.902	2010
Vranovská Ves	ČEZ OZ uzavřený investiční fond ¹⁾	16.033	2010
Žabčice	ČEZ OZ uzavřený investiční fond ¹⁾	5.6	2009
Photovoltaic power plants, total		125.2	

¹⁾ Generation license holder is ČEZ Obnovitelné zdroje.

Wind Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Janov	ČEZ OZ uzavřený investiční fond ¹⁾	2 × 2	2009
Věžnice	ČEZ OZ uzavřený investiční fond ¹⁾	2 × 2.08	2009
Wind power plants, total		8.2	

¹⁾ Generation license holder is ČEZ Obnovitelné zdroje.

Biogas Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
BPS Čičov	ČEZ OZ uzavřený investiční fond ¹⁾	biogas	1 × 0.526	2011
Biogas plants, total			0.5	

¹⁾ Generation license holder is ČEZ Obnovitelné zdroje.

Selected Information Concerning the Performance of the Generation Segments in Czechia

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		2015	2016	2015	2016	2015	2016
Electricity generation	GWh	56,292	56,601	338	343	56,630	56,944
Heat supply	TJ	17,260	18,196	–	–	17,260	18,196
Installed capacity	MW	13,149	12,849	201	201	13,351	13,051

Fuel

Nuclear Fuel

Nuclear fuel for the Dukovany Nuclear Power Plant is sourced under a long-term contract effective until 2028 (including an option) with Russian company TVEL, which not only fabricates the fuel but also provides conversion and enrichment services as well as some of the base raw material (uranium). The development program and licensing for a new type of fuel (GD2M+) was completed in 2014. In the same year, the new fuel was delivered for the first time and used to refuel Unit 1. The new fuel continued to be delivered in 2015 and will gradually replace all fuel in the inventory. In 2016, an amendment to the contract approved by EURATOM Supply Agency secured a further increase in fuel inventories to be implemented gradually in the coming years (up to about 3 refueling charges per unit).

The Temelín Nuclear Power Plant also continued to operate with TVEL fuel in both units. The TVSA-T fuel allowed switching to operation with an increased output of 104% and has the potential to enable safe operation of the units in a work cycle of four to, in part, five years. The process of developing and licensing modifications to the fuel design (TVSA-T mod. 1) was initiated in 2014 in order to further improve the operational reliability and optimize the production of the fuel. The TVSA-T mod. 1 fuel was licensed by the State Office for Nuclear Safety (SÚJB) in 2015 and has been loaded to the reactors since 2016.

In addition, a contract amendment was signed with the nuclear fuel supplier for developing and licensing a new advanced type of fuel with increased uranium content to allow a further increase in fuel use efficiency. The development process is planned for the period of 2015–2018. Initial design work was performed, necessary contracts with Czech design firms were made, and necessary communication with the State Office for Nuclear Safety took place in 2015. The first part of the fuel licensing documentation was developed in 2016 in accordance with the project schedule.

Raw uranium and its processing (conversion and enrichment services) for nuclear fuel fabrication were sourced under long-term contracts as well as—taking into account the favorable market conditions—by buying on the immediate market. Nearly one-third of overall uranium needs are still covered on a long-term basis by supplies from the domestic uranium producer DIAMO, with the remaining purchased from international suppliers and through direct fuel deliveries from the manufacturer (mostly for the Dukovany Nuclear Power Plant). There are contracts covering overall uranium, conversion, and enrichment needs until circa 2020.

Desirable diversification of the supply base is maintained as recommended by the supply management policy of the EURATOM Supply Agency. In order to mitigate the risk of an interruption or other threats to timely supplies of nuclear fuel, ČEZ decided to increase the share of fuel fabricated at its power plant sites while decreasing the strategic inventory of uranium in various stages of processing kept by its suppliers. The first complete reserve batch of nuclear fuel was therefore delivered to the Temelín Nuclear Power Plant in 2015, followed by the second one in 2016.

Furthermore, a contract with Westinghouse Electric Sweden on the development and delivery of six lead test assemblies and the provision of support for their licensing was signed in 2016.

Solid Fossil Fuels and Sorbents

The highest share of solid fuels supplied to CEZ Group's coal-fired power plants in Czechia in 2016 consisted of brown coal with a total amount of 23.3 million tons (94.7% of coal supplied). The top suppliers of brown power generation coal to ČEZ in 2016 included Severočeské doly, Vršanská uhelná, and Sokolovská uhelná.

The main part in the amount of 15.6 million tons (67.8%) was supplied by Severočeské doly.

Long-term coal supply contracts are signed with Severočeské doly (for the period until 2052—agreement on future purchase agreements), Vršanská uhelná until 2062 or the exhaustion of the Vršany Mine and Sokolovská uhelná (the original long-term purchase contract covering the period until 2027 is, in connection with the sale of Tisová Power Plant and the settlement of relations with the company, replaced from January 1, 2017 by a new long-term contract for the supply of brown coal until 2025).

The amount of hard coal supplied to CEZ Group's power plants in Czechia was 1.3 million tons. A major portion of 1 million tons (77%) was supplied by OKD; the remaining 0.3 million tons (23%) was secured by imports from Poland. One-year sales contracts are made for hard coal deliveries.

Deliveries of sorbents for flue gas desulfurization at CEZ Group's coal-fired power plants in Czechia are made under long-term contracts with LOMY MOŘINA, Vápenka Čertovy schody, KOTOUČ ŠTRAMBERK, Krkonošské vápenky Kunčice, and VÁPENKA VITOŠOV. Sorbent deliveries in 2016 totaled 1.138 million tons.

Biomass Combustion and Co-Firing

Biomass consumption within CEZ Group in Czechia totaled 626,638 tons in 2016.

Biomass was burnt at the Hodonín Power Plant (320,368 tons) and Poříčí Power Plant (257,107 tons). Energetické centrum used a total of 49,163 tons of phytomass in its heating plant in Otín u Jindřichova Hradce.

Natural Gas

A long-term contract for gas deliveries has been concluded.

Electricity Generation Outlook

Nuclear Power Plants

Standard refueling-related outage of Unit 2 is planned for the Temelín Nuclear Power Plant in 2017. The drainage system of the high-pressure part of the turbine generator will be renovated during the outage of this unit. The renovation is expected to increase the attainable capacity of Unit 2 by 1–2 MW_e. The outage of the first unit of the Temelín Nuclear Power Plant will begin, due to the reassessment of possibilities of exchanging nuclear fuel, only at the turn of 2018. During both outages, inspection of welds will be completed and settled.

Unit refueling outages will take place in the Dukovany Nuclear Power Plant in 2017, during which the inspection of welds will be completed. Along with the planned outages, the transmission system operator will perform replacement of technology sheds for individual lines in the Slavětice substation used for power evacuation from the Dukovany Nuclear Power Plant units. Submission of documentation for the extension of the existing permit to operate the Units 2, 3, and 4 of the Dukovany Power Plant will be another important milestone in 2017.

The total production of the nuclear power plants is expected at the level of 28 TWh. This figure represents a year-on-year increase by 4 TWh compared to the year 2016, which was significantly affected by weld inspections in both nuclear power plants and the related outages.

Coal-Fired and Gas-Fired Power Plants

As far as the portfolio of coal-fired power plants of CEZ Group is concerned, the construction of a new coal-fired unit with an output of 660 MW in Ledvice Power Plant is a major investment project that will be completed in 2017.

Total production in coal-fired and CCGT plants is expected to reach about 30 TWh, which is comparable to the level of 2016.

Hydro Power Plants

Major repairs are planned for the Lipno I and Dlouhé Stráně hydro power plants. Production of hydro power plants is expected to be about 0.3 TWh higher against the actual figures of 2016. The utilization of the Dalešice and Dlouhé Stráně pumped-storage power plants is also planned to grow.

Heat Generation Outlook

Total heat production for district heating purposes is expected at the level of 21,738 TJ, which represents—compared to 2016—a year-on-year decrease by 20 TJ. The volume of the production will be affected by the climatic conditions, the planned year-on-year decrease in production is due to the sale of the Tisová Power Plant outside of CEZ Group. New operational experience is expected in relation to gas heating plants installed in Dvůr Králové Heating Plant.

Trading in Electricity and Other Energy Commodities

Trading in electricity and other energy commodities in each European country where CEZ Group operates is organized centrally by the parent company ČEZ. This involves the following activities:

- Selling electricity generated by corporate plants on wholesale markets, including active control
- Selling ancillary services provided by CEZ Group's plants
- Procuring electricity and natural gas for resale to end-use customers, procuring emission allowances for in-house consumption
- Proprietary trading

In 2016, ČEZ continued trading under the active control, which includes intraday trading optimization of production positions of CEZ Group across European electricity markets, including optimization outside working hours. The active control includes business operations motivated by the utilization of the flexibility of CEZ Group's production resources.

Like any market participant, ČEZ is a clearing entity responsible for any deviation and its financial settlement with the market operator. ČEZ is seeking to minimize the cost of deviations caused by unplanned outages of resources or inaccurate predictions through active control, reserve planning and dispatching management of ČEZ's production resources.

In 2016, ČEZ reaffirmed its role as an active trader in the European context, and especially within Central and Southeast Europe. Besides electricity, in which it trades in 17 countries, it also trades in natural gas, hard coal, oil products, and emission allowances. ČEZ was the provider of ancillary services for the transmission system operator in Czechia.

In 2016, ČEZ sold electricity for delivery in 2017–2022, particularly through standard products (one-year, one-quarter, one-month) in the OTC market and at exchanges. In 2016, the company also sold electricity at spot exchanges and intraday platforms.

On wholesale markets, it made hedges for future sales of electricity generated by corporate plants, hedges for future provisioning of electricity for end-use customers, and purchases of electricity in case of corporate plant outages.

ČEZ continued to sell the ancillary services provided by its power plants, mostly to the transmission system operator, ČEPS.

Proprietary Trading

The main purpose of proprietary trading is to make an additional profit by taking advantage of arbitrage opportunities or other forms of speculative trading on wholesale markets.

Proprietary trading involves mainly commodities that are traditional for ČEZ, such as electricity or emission allowances, which are traded both on OTC markets and on energy exchanges, e.g. the European Energy Exchange (EEX) in Leipzig. Other traded commodities included natural gas in the form of futures products on the Intercontinental Exchange (ICE) in London, the European EEX, and other trading platforms. Last but not least, ČEZ trades in hard coal using futures-type products on the ICE in London and the OTC market in commodity coal swaps. ČEZ also traded in options with electricity as their underlying assets, EUAs, hard coal, and oil in 2016.

There are specific risk management frameworks for all trading and dealing activities, which define allowed products, time frames, counterparties, and especially market and credit rules and limits on the basis of stop-loss orders (closing a position when a certain loss is made), value at risk, current credit exposure, and future credit exposure. Adherence to the limits is reviewed daily and any excesses are dealt with according to the applicable risk management framework.

In addition, proprietary trading has been regulated by the European Union since 2011 as a result of wholesale market regulation (see Regulation of the Electricity and Natural Gas Wholesale Markets).

Distribution

Electricity Distribution

Electricity in approximately 5/8 of Czechia is distributed by ČEZ Distribuce, which arranged for 34,950 GWh of electricity to be supplied to customers in 2016. The year-on-year increase of 811 GWh was caused by higher demand for electricity at the high- and medium-voltage levels (up 385 GWh) and at the low-voltage level (up 426 GWh). Supplies at the low-voltage level were partly influenced in the year-on-year comparison by lower average temperatures in the winter months.

In electricity distribution, all prices are regulated by the Energy Regulatory Office. There were more than 3.6 million connection points connected to the distribution grid of ČEZ Distribuce as at December 31, 2016. As for renewable energy sources, the largest number of facilities connected to ČEZ Distribuce's distribution grid are photovoltaic power plants; there were 17,741 such plants with a total installed capacity of 1,016 MW as at December 31, 2016. The amount of electricity that flowed into the distribution grid of ČEZ Distribuce in 2016 was 44,995 GWh, i.e. 1,082 GWh more than in the previous year. The biggest percentage of that amount (55%) was electricity originating from the network of ČEPS; its volume was 24,758 GWh, which is 981 GWh more than in the previous year.

Customer Service

Customer service is thematically divided into three parts:

- Cities and municipalities
- Large corporate customers and electricity traders
- Households and businesses

ČEZ Distribuce, as the first distribution system operator in Czechia, introduced an ESB (Enterprise Service Bus) system interface enabling direct communication between the systems of distributors and traders. Through the system, traders can handle requirements of their customers with distributors, like conclusions of contracts for facility connection to the distribution system. For all household and business customers, ČEZ Distribuce launched a new online portal, DIP, where the customers can find information about their connection points. Here, customers can also subscribe to free notifications of planned outages by e-mail, request a connection and follow its implementation, or submit meter reading. For producers and wholesalers with points fitted with continuous metering, it provides the ability to track online measured data from the continuous metering through the Measured Data Portal.

Customer service for CEZ Group customers was divided in 2016; ČEZ Distribuce's customers are now served by the company's employees. One of the call centers of the CEZ Group began to be used exclusively for the needs of ČEZ Distribuce. In addition to reporting a failure, a free telephone line provides customers with information on outages and can be used to deal with any distribution issues. The first technical consultation point (Customer Service Center) for dealing with distribution requirements of customers was opened in Děčín. During limited opening hours, it is available to the customers who prefer personal contact or whose requirements are very specific. In the long term, it is planned to establish technical consultation points in other cities as well.

Capital Construction

The principal objective of investing in power system renovation and development is improving the quality, reliability, and safety of electricity supplies. Investments were directed to grids at all voltage levels and were implemented across all asset groups. Development of automated grid control also advanced.

Investments in constructions based on customer connection requests were made as well. Among these investment projects, preparations for the construction of the new transformer station 110/22 kV Triangle can be considered as the most important one. In the field of new technologies, the year 2016 was marked by the preparation of projects dealing with the issue of measurement in distribution substations, as well as projects focusing on the implementation of the next wave of installation of remote-controlled elements in medium-voltage grids.

Electricity Distribution Outlook for 2017

ČEZ Distribuce expects to supply 34.5 TWh of electricity to customers in 2017.

CEZ Group's distribution segment in Czechia is currently undergoing major structural changes in response to the legislative and regulatory requirements getting stricter in Czechia and the European Union. The project, which merges the distributor with its service companies, is also aimed at increasing operational efficiency with an impact on cuts in operating costs. Preparations for the third phase of this project will be finished in 2017 so that the entire project can be completed in 2018.

Sales of Electricity and Gas

CEZ Group offered end-use customers in Czechia the following commodities and related services in 2016 (through companies):

- Electricity (ČEZ Prodej, ČEZ, Elektrárna Počeradý, Elektrárna Dětmarovice, Elektrárna Tisová, Energotrans, Energetické centrum, and Energocentrum Vítkovice)
- Natural gas (ČEZ Prodej, ČEZ Energetické služby)
- Heat / thermal energy (ČEZ Teplárenská, ČEZ, Energetické centrum, ČEZ Energetické služby, Energotrans, Energocentrum Vítkovice, Elektrárna Počeradý, Elektrárna Dětmarovice, and Elektrárna Tisová)
- Electricity distribution (ČEZ Distribuce)

Customers in Czechia can order electricity and natural gas as the commodity alone (Electricity / Natural Gas Supply Contract) and purchase distribution services directly from a competent distributor under a separate Distribution Service Contract. However, the much more frequent form is “integrated supply” under an Integrated Supply Contract for the commodity in question, under which ČEZ Prodej not only supplies the commodity to the customer but also arranges for the provision of distribution services by a distributor according to the rules specified by law.

In order to meet EU-wide rules liberalizing the electricity market, CEZ Group became the first energy market player in Czechia that fully separated the provision of services for sales customers and distribution customers. Simultaneously with the separation of information systems, a new system was implemented in ČEZ Prodej. Due to a lesser degree of automation and the resulting modifications, it will be better prepared for the demands resulting from the expansion of the product offering for customers.

Sales of Services in Decentralized Energy

ČEZ ESCO, a member of CEZ Group, consolidates the Group’s expert and sales capacity in energy savings, decentralized sources, lighting, and other energy products. It concentrates on creating integrated offers for business customers, small and midsize businesses, and the public sector. It offers solutions to customers’ energy needs especially at decentralized level with emphasis on new technologies, efficient use of energy, and integrated product offers. The individual products are provided by subsidiaries of ČEZ ESCO. In 2016, the portfolio of subsidiaries (ČEZ Energo, ČEZ Energetické služby, EVČ, ENESA) was supplemented by other companies expanding the offer of energy products and services.

ČEZ Solární, a subsidiary purchased from the German group Juwi, ensuring high competence in the field of rooftop photovoltaic systems and optimal management and operation of photovoltaic parks, was incorporated into ČEZ ESCO in the first half of 2016. Energocentrum Vítkovice, securing energy supplies for large enterprises in Vítkovice, became a part of ČEZ ESCO during the second half of 2016. An agreement to acquire 100% share in AZ KLIMA was signed in September 2016 to ensure a complete offer of products and services in the field of air conditioning. With this acquisition of AZ KLIMA, ČEZ ESCO acquired competences of a leading company on the Czech market in this segment, with a particular focus on the design, engineering and servicing of air conditioning systems for industrial customers, commercial and administrative buildings. At the end of the year, a new subsidiary ČEZ LDS was founded. It engages in purchasing, managing and providing services connected with local distribution systems (LDS).

Sales of Other Products and Services

Since 2014, ČEZ Prodej has belonged among the largest virtual mobile operators in Czechia. Primarily, it attracts customers by offering the possibility to choose packages exactly according to the needs of individual users, without any long-term commitments, as well as unlimited calling.

In 2016, ČEZ Prodej expanded its services for customers to include financial credit services, provided in collaboration with ESSOX. These consist of extending credit to purchase selected energy solutions for households, nonpurpose credit, and credit cards.

Electricity and Natural Gas Sales Outlook for 2017

Sales of Electricity to End-use customers

For 2017, the CEZ Group expects a further decline in the volume of electricity supplied to end-use customers. This reduction in supplies is expected both in the wholesale segment and the household segment. In this segment, a significant market recovery was apparent already during the second half of 2016 and it can be assumed that the higher interest in changing energy supplier among households will continue in 2017. ČEZ Prodej will offset this impact mainly by a proactive expansion of its product offer for end-use customers, optimization of retention activities and continuing acquisition of new customers.

Sales of Natural Gas

On the natural gas market, CEZ Group expects a positive development in 2017 and plans to increase the volume delivered to its end-use customers in Czechia.

Offer in Decentralized Energy

In 2017, ČEZ ESCO plans to further develop its business organization of the new generation that forms a comprehensive service model with the highest added value for the customer. Apart from the fulfillment of strategic objectives for the development of ČEZ ESCO in the Czech market, the development of the offer of ESCO services in the Slovak market belongs among the key activities in 2017. In 2017, ČEZ ESCO and ČEZ Prodej will continue to closely cooperate in the offer of commodities, energy products, and services.

Innovation Projects

Investments in New Technologies

ČEZ Nová energetika, operating under the brand name Inven Capital, which it subsequently adopted as its name, was founded for the purpose of investing in innovative developing companies active in the new energy industry in Europe. In September 2016, Inven Capital, an investment fund, obtained from the Czech National Bank the authorization to operate a self-administered qualified investor fund, and became a regulated entity.

It focuses primarily on investment opportunities in later-stage growth with a business model proven by sales and with growth potential. Its objective is to generate long-term value through active collaboration with portfolio companies and their founders. In 2016, Inven Capital invested in tado, a Bavarian company that is a European leader offering smart temperature control for households based on the user's current location and habits. These smart thermostats are compatible with most boilers in Europe and can also control air-conditioning units. Furthermore, they allow offering end users additional services such as online offers of boiler repairs. Another investment went to the Environmental Technologies Fund 2, a renowned London fund focusing on investments in global, fast-growing companies active in the field of clean technologies. Inven Capital expects the investment to bring a certain return and provide it with access to unique investment opportunities and know-how.

Furthermore, it successfully completed another round of external financing of sonnen. This company ranked among the top 10 in the "Deloitte Technology Fast 50 Award", awarded annually to the fastest growing German technology companies showing extraordinary innovativeness and entrepreneurship. In November, the monthly quantity of sold batteries exceeded 1,000 units for the first time, mostly in Germany, followed by Italy and the United States.

Electromobility

Czechia

The ČEZ Electromobility project entered 2016 in cooperation with ARRIVA PRAHA and PASSERINVEST GROUP by introducing two electric buses in regular shuttle service between the BB Centrum and Budějovická metro station. Over the year, the electric buses on these lines covered more than 36,000 kilometers.

An important milestone in April 2016 was the signing of a contract with ABB, the supplier of charging stations, resulting in a significant expansion of the network of fast charging stations to new locations and also in replacement of the original technology with a more reliable and efficient alternative. As at December 31, 2016, the number of operated charging stations amounted to 69, of which 25 were ultrafast charging stations (DC charging stations) and 44 normal charging stations.

CEZ Group will contribute to a significant expansion of the network of fast charging stations in the next two years thanks to a grant for the “EV Fast Charging Backbone Network Central Europe” project provided under the Connecting Europe Facility (CEF) program used by the European Commission to support the construction of charging stations along the TEN-T network of major roads. By the end of 2018, 42 new fast charging stations will be built and 1 demonstration site will be opened, integrating 3 fast charging stations with a renewable energy source and a solution for storing energy in stationary batteries.

Another milestone was the signing of a Memorandum of the Ministry of Environment of the Czech Republic about the cooperation of car manufacturers with gas and energy companies to promote a new call to support the development of alternative drive systems. Under this program, the Ministry has begun to accept applications for grants for the purchase of vehicles with alternative drive systems for municipalities, regions and their subordinate organizations. We therefore assume that this program will encourage growth in the number of electric cars on the Czech market.

The number of project partners grew both among public and regional authorities, e.g. with the Czech Government Office and Ministry of Agriculture, and among organizations participating in the construction of charging stations. After the price increase effective from January 1, 2017 the price for the Electromobility service got closer to the real cost of recharging.

Romania

CEZ Romania bought two electric cars and included them in a fleet of company vehicles of CEZ Group in Romania for regular use. It opened 2 charging stations for them, one in Pitești and one in Craiova. Customers of CEZ Group in Romania can recharge their electric cars at these charging stations free of charge. A project for a construction of charging stations in the distribution area of Oltenia was presented in 2016 to Administra ia Fondului pentru Mediu (government body providing financial support for programs relating to the environment). Its potential support depends on the adoption of new legislation.

Support for Innovation

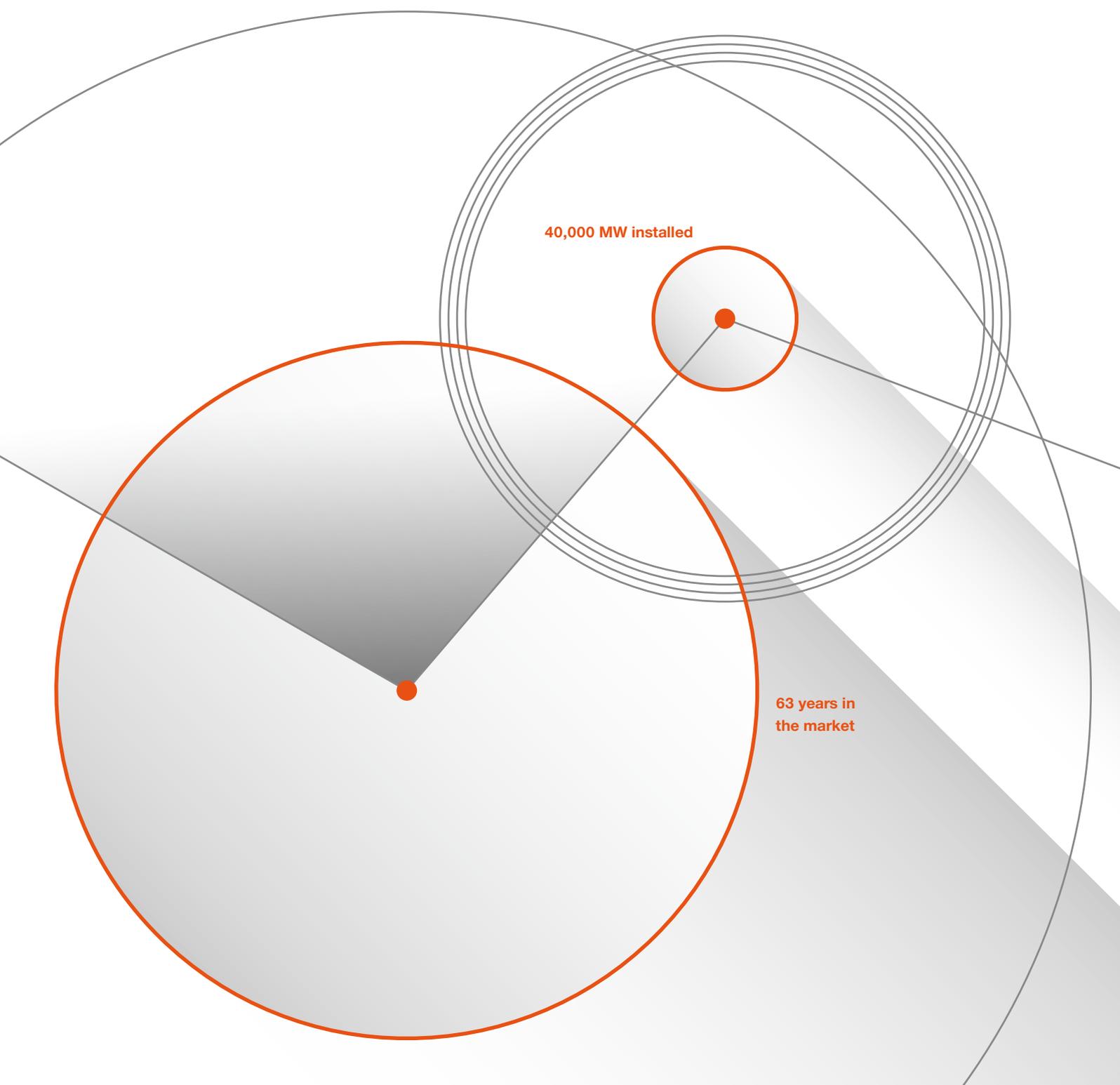
In 2016, ČEZ began cooperating with Rockstart, a Dutch start-up accelerator, on its Smart Energy program supporting projects aimed at innovations intended to make more efficient use of energies. The first round of the program in this year was attended by 10 energy sector start-ups, in which ČEZ now holds indirect minority shares and also obtains information from them about the latest trends in the energy market.

The second year of the successful student competition ČEZ Innovation Marathon took place in November. It was attended by 30 selected participants from 12 Czech and foreign universities. Here, the students acquainted themselves—during an intense 24-hour program—with the course of the innovation process and learned how to use creative innovative techniques that were applied by them to resolve a real-life business problem.

The 2nd and 3rd round of the Czech ICT Incubator @ Silicon Valley project took place this year, marking the end of the participation of CEZ Group in the project. As part of this project, promising Czech entrepreneurs who are just starting out traveled to prestigious Californian incubators where they spent 3 to 4 months.

ŠKODA PRAHA

ŠKODA PRAHA is a general contractor for large turnkey energy projects. It provides innovative and affordable solutions accommodating customers' individual needs. Its projects are characterized by high reliability, efficiency, and technological expertise. The company complies with the strictest environmental protection standards in its projects.

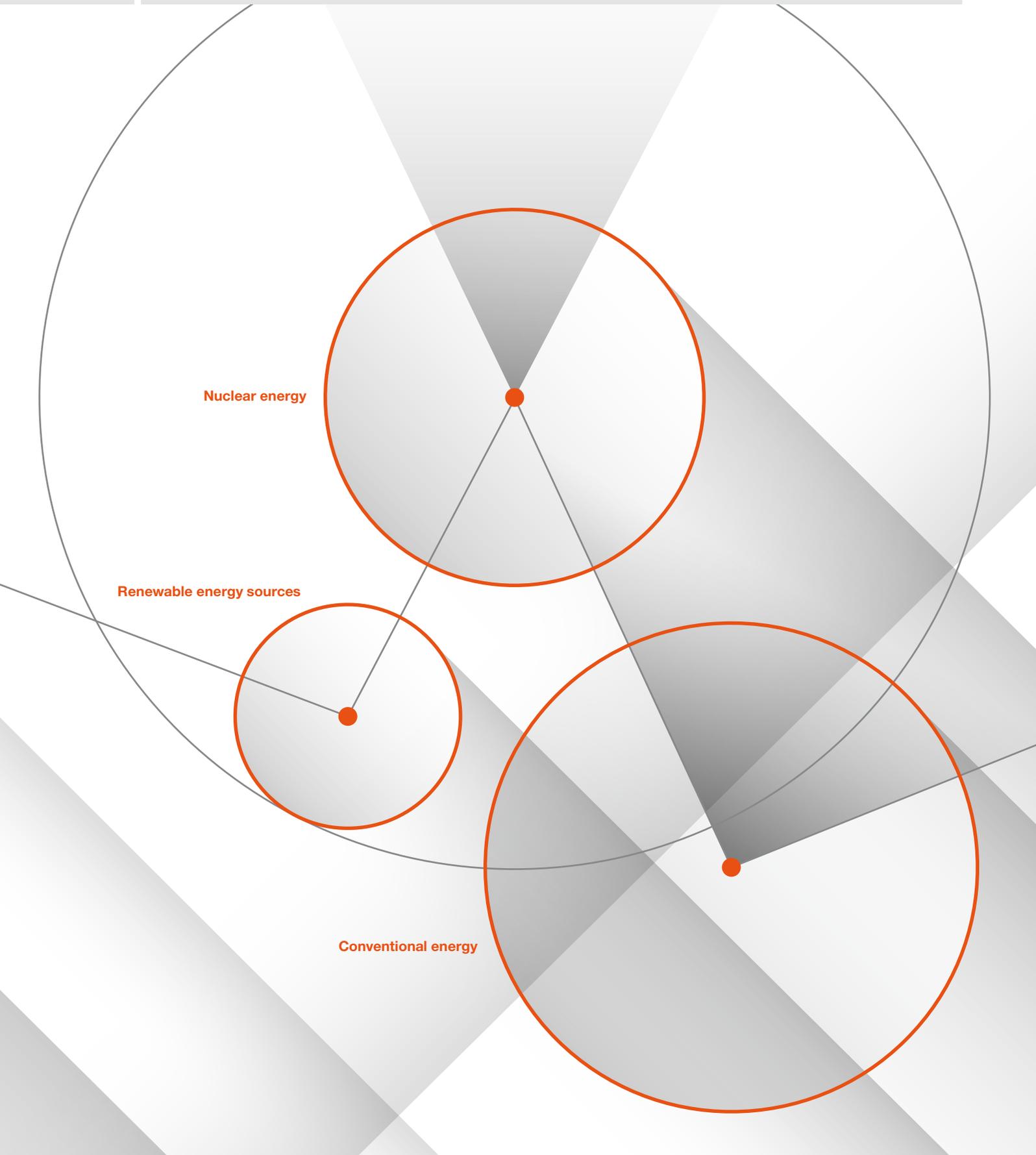


40,000 MW installed

63 years in
the market

ŠKODA PRAHA also delivers technologies for environmental upgrades to power plants—desulfurization, denitrification, and dust reduction. Another area of its customer service is upgrading existing facilities to enhance their efficiency and safety and extend the service life of their equipment.

As part of its comprehensive solutions, the company offers collaboration in arranging various forms of export financing, which is always created individually based on the customer's options.



Business Environment

The Polish energy market is almost fully liberalized. Wholesale market prices are based on market conditions. The only regulated electricity tariffs are those for households. Distribution fees are also regulated. Prices in the heat market are based on a tariff system and each change in prices requires approval by the Energy Regulatory Office.

In the area of renewable energy sources, an amendment was adopted (effective from July 1, 2016) introducing a number of significant changes in the system of support for the production of electricity from renewable sources. According to the Act, the largest support in the new auction mechanism will be provided to “stable” and “predictable” technologies. On the contrary, the lowest support will be provided to the producers of energy from wind sources due to the introduction of separate auction baskets for RES installations. The Act also introduced lower requirements to be met by co-firing units in order to be eligible for the participation in the support system. Definition of energy clusters (related entities) and cooperatives was also introduced in the Act. Furthermore, the Act introduced changes in the support for “prosumers” (energy consumers, who are at the same time producers of energy). Instead of guaranteed tariffs, they will obtain so-called discounts. At the same time, the definition of “prosumer” was expanded as well, covering not only individuals but also municipalities, parishes, and schools.

An act on investment in wind farms, related to the development of the wind energy sector, came into effect on July 16, 2016.

Pursuant to the Act, a wind turbine (together with its foundation, tower, and technology) will be deemed to be a building as defined by building law. This change may result in a significant increase in property tax paid by wind farm operators. The Act also introduces rules concerning the minimum distance between a wind turbine and residential houses or sites of high natural value, which must be equal to or greater than ten times the wind turbine height. In respect of wind farm operations, only repairs and necessary maintenance are allowed; activities aimed to increase wind farm productivity are prohibited. The law poses a threat to the implementation of wind farm projects throughout Poland, including CEZ Group’s projects developed by Eco-Wind Construction. In the area of energy efficiency, legislation was adopted in order to promote energy savings. Reducing energy consumption will be supported by a system of white certificates.

CEZ Group Operations

Electricity Generation

In 2016, CEZ Group power plants in Poland produced 2,931 GWh of electricity, which is about the same amount as in 2015. The Chorzów Power Plant produced electricity both from coal and biomass. Biomass combustion at the Chorzów Power Plant generated 379 GWh of electricity in 2016, i.e. 43 GWh (10.2%) less than in 2015 due to the decrease in support for co-firing units and lower market prices of green certificates. The Skawina Power Plant did not generate any electricity by biomass co-firing in 2016 due to unfavorably developing market conditions.

Heat Generation

The Polish power plants of CEZ Group sold a total of 5,825 TJ of heat in 2016, with the Skawina power plant accounting for 2,672 TJ and the Chorzów Power Plant for 3,153 TJ.

Skawina supplied heat to one distribution company, MPEC (Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. w Krakowie), which supplies heat to Cracow, and to three end-use customers. The Chorzów Power Plant supplied heat to three distribution companies. As in the past, the dominant customer was Tauron Ciepło Sp. z o.o. in Katowice, which supplies heat to the cities of Katowice, Chorzów, Świętochłowice, and Siemianowice Śląskie.

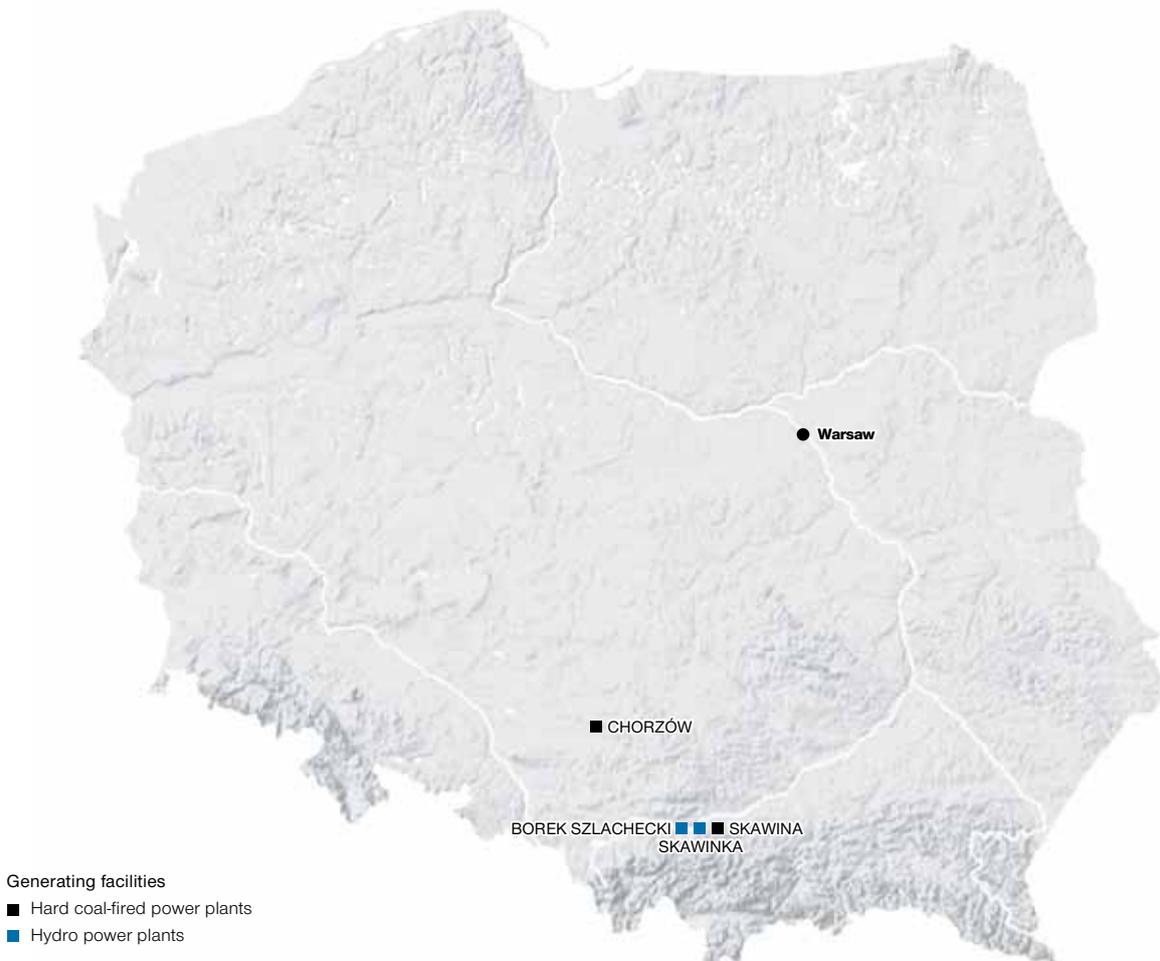
Capital Construction

Eco-Wind Construction continues to develop and optimize its portfolio of wind farm projects. Adoption of the new Act on renewable energy sources has a significant impact on the portfolio projects. Construction of the most advanced project, Krasin (building permit in force from February 20, 2016), depends on the date of the auction. The auction covering the wind energy technological basket is likely to be shifted to Q4 2017.

Installed Capacity

As at December 31, 2016, the CEZ Group had a total installed capacity of 680.9 MW in Poland that remained unchanged year-on-year.

Location of CEZ Group's Generating Facilities in Poland



List of CEZ Group Power Plants in Poland

Coal-Fired Power Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned	Desulfurized Since
Chorzów	CEZ Chorzów	Hard coal	2× 119.2	2003	¹⁾
Skawina	CEZ Skawina	Hard coal	4× 110	1957	2008
Coal-fired power plants, total			678.4		

¹⁾ Chorzów has complied with SO_x limits since commissioning.

Small Hydro Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Skawina/Skawinka	CEZ Skawina	1× 1.6	1961
Skawina/Borek Szlachecki	CEZ Skawina	1× 0.885	2013
Small hydro power plants, total		2.5	

Selected Information Concerning the Performance of the Generation Segments in Poland

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		2015	2016	2015	2016	2015	2016
Electricity generation	GWh	2,944	2,931	–	–	2,944	2,931
Heat supply	TJ	4,996	5,825	–	–	4,996	5,825
Installed capacity	MW	681	681	–	–	681	681

Solid Fossil Fuels and Sorbents

In 2016, the Skawina and Chorzów Power Plants consumed a total of approx. 1,417,000 tons of hard coal, sourced from mining companies in their vicinity. The Chorzów Power Plant purchases coal under a long-term contract with Kompania Węglowa S.A. The Skawina Power Plant purchased coal from Kompania Węglowa S.A., Katowicki Holding Węglowy S.A., PG Silesia Sp. z o.o., and Jastrzębska Spółka Węglowa S.A. in 2016.

The Polish power plants also utilize biomass as a power generation fuel. The Chorzów Power Plant consumed approximately 250,000 tons of biomass in 2016.

Electricity and Heat Generation Outlook for 2017

Production of electricity in Polish power plants of the CEZ Group is planned in 2017 in the volume of 2.7 TWh due to stricter NO_x emission ceilings resulting from the Interim National Plan.

Sales of Electricity and Natural Gas

Sales of electricity and natural gas are carried out by CEZ Trade Polska as another activity supplementing the provision of support for trading in these commodities. Electricity supplies to large and commercial retail end-use customers in 2016 totaled 1,929 GWh, i.e. 317 GWh more year-on-year. The increase was enabled by successful acquisition of new customers.

The company also started to supply natural gas to large and commercial retail end-use customers in 2016 in a total volume of 77 GWh.

Electricity and Natural Gas Sales Outlook for 2017

CEZ Trade Polska will continue to sell electricity and gas with the aim of increasing its market share during 2017. The total volume of electricity and natural gas delivered in 2017 is expected to be again slightly higher than that of 2016.

Heat Sales Outlook for 2017

Heat sales are expected to total nearly 6 thousand TJ in 2017.

Business Environment

Households and businesses connected to the low-voltage grid are generally supplied at regulated prices using a system of quotas in accordance with the Energy Act and decisions of the regulatory authority—the Energy and Water Regulatory Commission (EWRC). Since April 1, 2016, these customers have been able to enter the open market and get electricity supply contracts at unregulated prices in relation to the introduction of Standardized Load Profiles (SLPs) and the regulator's publication of supplier switching guidelines. However, the successful completion of liberalization, previously identified by the EWRC as one of its main tasks for 2016, is put at significant risk by lack of secondary legislation, the existence of cross subsidization, and the government's pressure on keeping residential energy prices low. Electricity producers started to offer electricity by means of electronic tenders, which help create an electricity spot market in the country. The Independent Bulgarian Energy Exchange (IBEX) started its full operation on January 19, 2016.

CEZ Group Operations

Electricity and Heat Generation

In 2016, generation was performed only in the photovoltaic power plant in Oreshets. The Bara Biomass Gasification Power Plant was not put into commercial operation after the support in the form of a feed-in tariff for biomass-to-electricity projects was abolished. The Varna Coal-Fired Power Plant did not generate any electricity or heat in 2016 because its operation was suspended on January 1, 2015 due to noncompliance with environmental limits set down in the integrated permit. The situation in Bulgaria's energy sector and the current state of related legislation do not allow making a positive return on investment in necessary modifications.

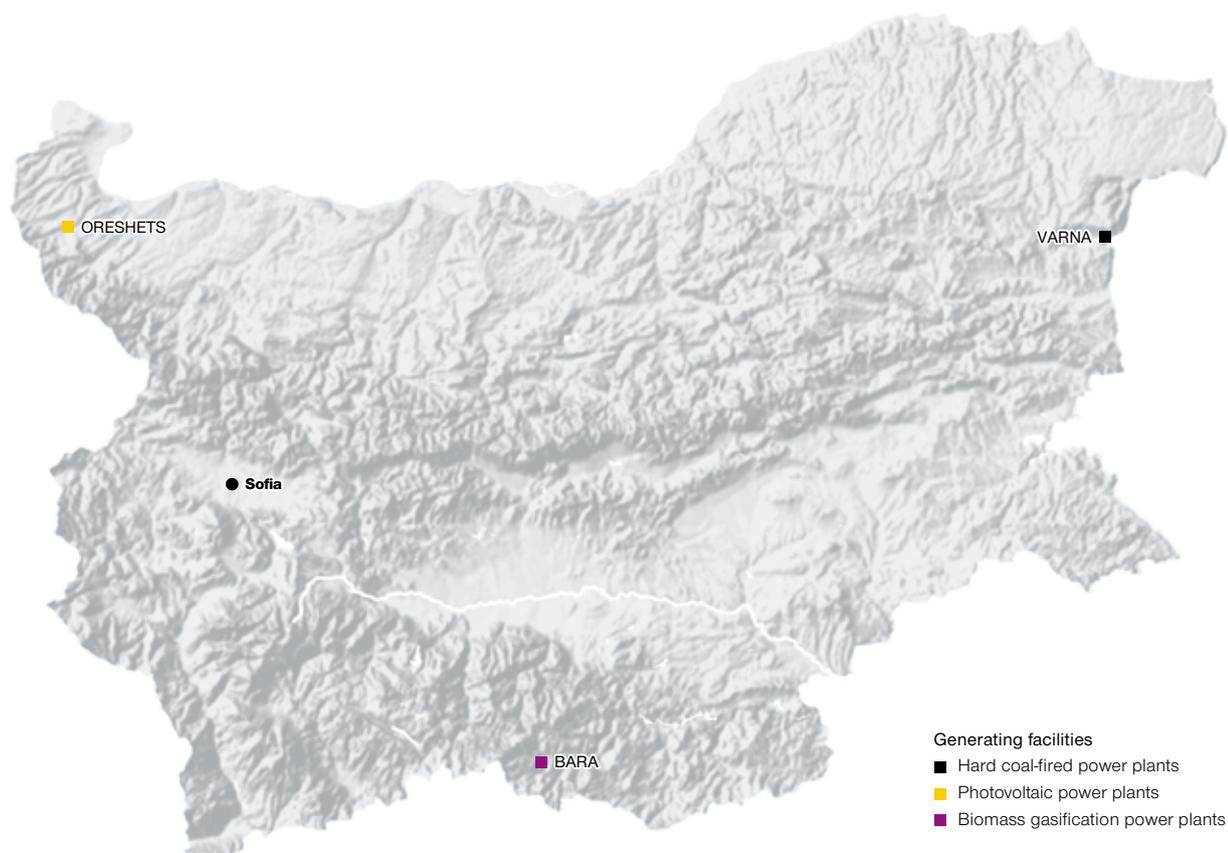
Capital Construction

No capital expenditure was made in the Bulgarian production assets in 2016.

Installed Capacity

As at December 31, 2016, the CEZ Group had a total installed capacity of 1,266.7 MW in Bulgaria that remained unchanged year-on-year. Only 5 MW (Oreshets) were in operation.

Location of CEZ Group's Generating Facilities in Bulgaria



List of CEZ Group Power Plants in Bulgaria

Coal-Fired Power Plants

Plant	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Varna	TEC Varna	Hard coal	6 × 210	1968–1969, 1977–1979
Coal-fired power plants, total			1,260.0	

Photovoltaic Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Oreshets	Free Energy Project Oreshets	5.0	2012
Photovoltaic power plants, total		5.0	

Biomass Gasification Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Bara	Bara Group	1.7	2015
Biomass gasification power plants, total		1.7	

Selected Information Concerning the Performance of the Generation Segments in Bulgaria

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		2015	2016	2015	2016	2015	2016
Electricity generation	GWh	–	–	6	6	6	6
Heat supply	TJ	–	–	–	–	–	–
Installed capacity	MW	1,260	1,260	7	7	1,267	1,267

Electricity and Heat Generation Outlook for 2017

Production of electricity in Bulgarian power plants of CEZ Group is planned in 2017 in the volume of 6 GWh, and the entire volume will be generated by the Oreshets Photovoltaic Power Plant. Heat production is not planned in Bulgaria because of the suspension of operation of the Varna Coal-Fired Power Plant.

Distribution

On June 30, 2016, the EWRC published a price decision with effect from July 1, 2016. It also announced that it was not expecting the residential market to become completely open yet, at least not during the current price period, which will last until June 30, 2017. An amendment to the Energy Market Rules entered into effect on November 20, 2015. New rules were adopted for opening the market to low-voltage customers, in particular for distribution companies, which are allowed to create and use load profiles for their customers and must, together with sales companies, create diagram use guidelines and publish them mandatorily. Eight Standardized Load Profiles (SLPs) were presented by the EWRC on January 29, 2016 and subsequently approved by it.

Capital Construction

Distribution CAPEX went primarily to improving distribution grid quality, replacing electric meters, critical infrastructure in Sofia, and new connections to the distribution grid. Furthermore, capital expenditure was used for mandatory buyouts of distribution assets. Capital expenditure in 2017 will be aimed at the same areas.

Sales

The price decision of the EWRC on tariffs for the regulated sales segment became effective on July 1, 2016. The regulatory authority also announced that it was not expecting the residential market to become completely open yet, at least not during the current price period, which will last until June 30, 2017. Customers across all segments are entitled to choose their supplier of electricity; households, however, still retain their right to remain under regulated tariffs.

The EWRC continues in its procedure to revoke the electricity trading license of CEZ Elektro Bulgaria, which started in 2014 as a result of Bulgarian authorities' long-term inactivity in matters concerning RES support regulation in 2012 and 2013. Despite interventions of the European Commission, this baseless procedure could not be discontinued so far.

In 2016, CEZ Elektro Bulgaria supplied electricity to end-use customers in a total volume of 6,302 GWh. The company maintained a significant market share despite the annual drop in deliveries of 507 GWh due to increasing competition in the market that is gradually becoming liberalized.

CEZ Trade Bulgaria sold 3,411 GWh of electricity to end-use customers on the free market in 2016, i.e. 535 GWh (18.6 %) more year-on-year. The increase was due to successful acquisition of new customers switching from the regulated market to the free market.

Electricity Distribution and Sales Outlook for 2017

The expectations of CEZ Group for 2017 are 9 TWh of electricity distributed.

In electricity sales, we expect a growing level of competition on the liberalized part of the market.

Legislative and Business Environment

The energy market in Romania is undergoing gradual liberalization. Market liberalization in the corporate customer segment was completed in 2013 and should be completed for households in 2017. Liberalization of the sales segment continued during 2016 according to the specified schedule.

Renewable generation in Romania is supported through “green certificates”. The Romanian government amended the renewables support program in July 2013, with the result that the negotiability of a portion of allocated green certificates was suspended. Wind farms can temporarily trade in just one of two certificates allocated per generated MWh. The withheld certificates should be traded by wind farms from January 1, 2018 until the end of 2020. A change in the support scheme for the production of renewable energy in the form of a government regulation is being currently discussed. The changes should affect the length of expiration period of green certificates, price and time of negotiability of previously deferred certificates, and the period over which they will be allocated. The new general support scheme requires approval from the European Commission, which was already obtained on December 16, 2016 through an accelerated procedure. Subsequently, the approval by the Romanian government is expected.

CEZ Group Operations in Romania

Electricity Generation

Temporary accreditations approved on September 2, 2015 entitled the Fântânele Vest and Cogealac wind farms to receive support for 12 months in the form of green certificates, getting one certificate per MWh while the other certificate remains deferred until 2018–2020. In April 2016, the regulatory authority approved a 12-month renewal of the temporary accreditation until September 2017. What was crucial for the allocation of support in the long term was the completion of the formal notification process by the European Commission (DG COMP). Romanian authorities sent formal notifications concerning the two wind farms to the European Commission in February 2016. The European Commission (DG COMP) completed the process of approving state aid for renewable electricity generation and approved the individual notifications for the Fântânele Vest and Cogealac wind farms on June 3, 2016. On the basis of this approval, the Romanian regulatory authority (ANRE) issued final accreditation for Fântânele Vest and Cogealac on September 27, 2016. The wind farms are entitled to be part of the renewable generation support program in accordance with applicable legislation and obtain green certificates for the electricity they generate. For 2016, this means support amounting to two green certificates—one allocated and one deferred.

Ovidiu Development, which operates the Cogealac wind farm, obtained a new supplier license based on the decision of the Romanian regulatory authority ANRE dated October 12, 2016.

The year-on-year decrease in production of the Fântânele and Cogealac wind farms by 127 GWh was mainly due to production restrictions imposed by the semi-state-owned transmission system operator to regulate the transmission grid. Production of hydropower plants at Reșița recorded a year-on-year increase due to nonrecurring events in 2015—unplanned technological outages and a summer with minimum precipitation.

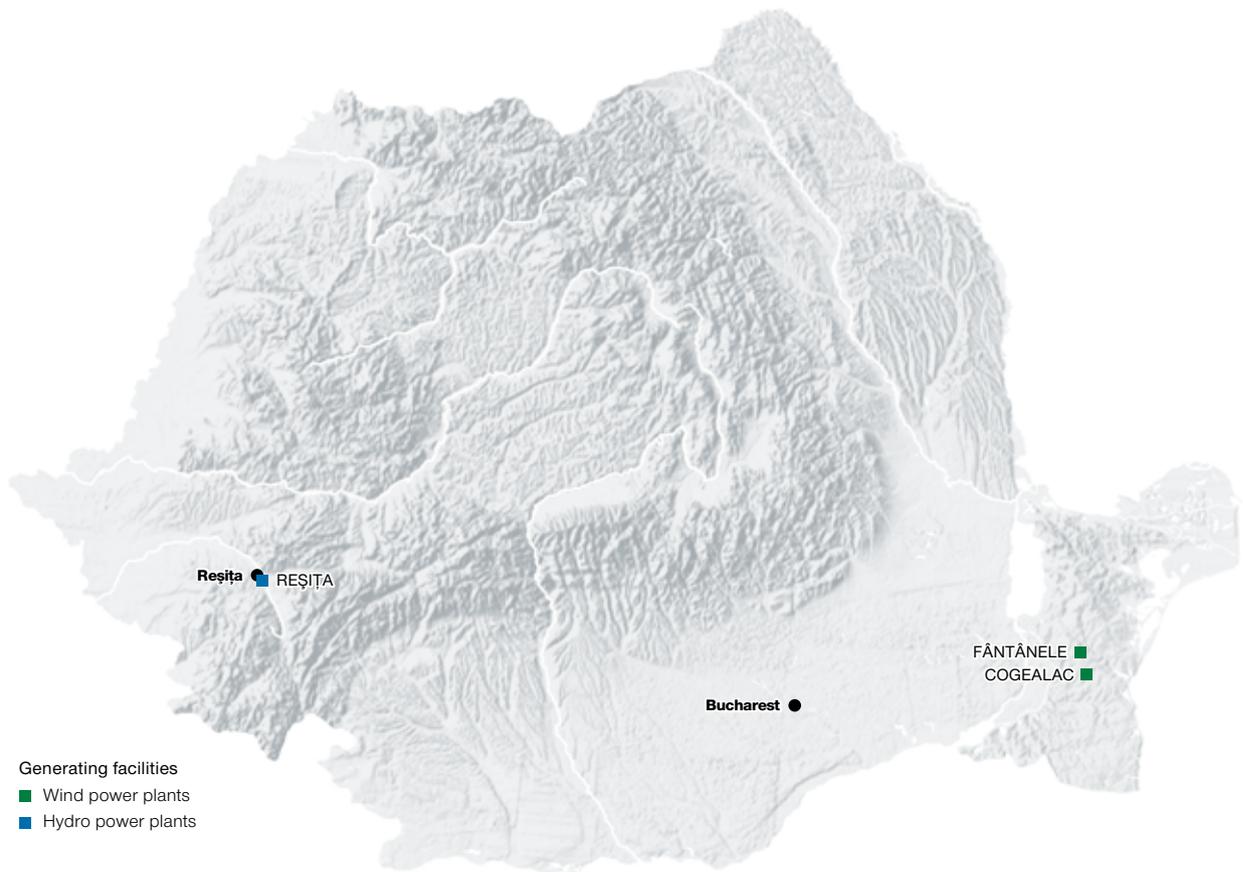
Capital Construction

Minor capital expenditures went mostly into the infrastructure of the Fântânele & Cogealac wind farms in 2016.

Installed Capacity

As at December 31, 2016, the CEZ Group had a total installed capacity of 622 MW in Romania that remained unchanged year-on-year.

Location of CEZ Group's Generating Facilities in Romania



List of CEZ Group Power Plants in Romania

Hydro Power Plants—Reșița Site

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Breazova	TMK Hydroenergy Power	0.656	1977, renovated in 2013
Crainicel 1	TMK Hydroenergy Power	4.160	1950, renovated in 2013
Crainicel 2	TMK Hydroenergy Power	9.200	1997, renovated in 2013
Grebla	TMK Hydroenergy Power	7.968	1970, renovated in 2013
Small hydro power plants, total		21.984	

Wind Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Cogealac	Ovidiu Development	252.5	2012
Fântânele	Tomis Team, M.W. Team Invest	347.5	2010
Wind power plants, total		600.0	

Selected Information Concerning the Performance of the Generation Segments in Romania

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		2015	2016	2015	2016	2015	2016
Electricity generation	GWh	-	-	1,336	1,251	1,336	1,251
Heat supply	TJ	-	-	-	-	-	-
Installed capacity	MW	-	-	622	622	622	622

Electricity Generation Outlook for 2017

CEZ Group expects to generate 1.3 TWh of electricity in the Fântânele and Cogealac wind farms in 2017. The Reșița hydro plant system should generate 0.1 TWh of electricity.

Distribution

Tariffs for the regulated sector of distribution and sales, with effect from January 1, 2016, were published by the Romanian regulatory authority in December 2015. The Romanian regulatory authority decreased CEZ Distribuție's average distribution tariff by 11%. It decreased the tariffs of other distribution companies in a similar manner despite the fact that the distribution tariff calculation methodology effective at the beginning of the regulatory period set the limit of a year-on-year change in an average tariff to $\pm 7\%$. However, the regulatory authority changed the tariff calculation methodology just before its new price decision, removing the 7% limit by its unilateral decision. CEZ Distribuție filed a complaint against the above-mentioned decision with a court on January 18, 2016, simultaneously filing an appeal with the regulatory authority. The regulatory authority dismissed the appeal. CEZ Distribuție appealed against the decision. In relation to the methodology, the court of first instance decided in favor of the regulatory authority. CEZ Distribuție will appeal against the decision once it is delivered. The related litigation regarding the decision on tariff levels was suspended until the litigation on the methodology for setting tariffs is completed.

In April 2016, the court of first instance accepted to a large extent the complaint of CEZ Distribuție against the regulatory authority in a dispute over the distribution tariffs in the second regulatory period. The regulatory authority appealed in August 2016. The appellate court has not yet made a decision.

CEZ Distribuție was renamed on January 3, 2017 in accordance with regulatory requirements. Now it operates under the business name Distribuție Energie Oltenia S.A. with the new Distribuție Oltenia logo. On the same day, telephone lines of CEZ Vanzare and CEZ Distribuție Energie Oltenia customer centers were physically separated as required by legislation.

Capital Construction

Capital expenditures on distribution in 2016 were primarily aimed at improving the parameters of the distribution grid at all voltage levels.

Sales

In 2016, CEZ Vanzare supplied electricity to end-use customers in a volume of 3,369 GWh. Despite the annual drop in supply by 101 GWh, the company maintained an important market share. The reason for the decrease in sales was mainly the increased level of competition in the energy supply market for large industrial companies.

Electricity Distribution and Sales Outlook for 2017

The amount of electricity distributed to end-use customers in 2017 is expected to be 6 TWh. Electricity sales to end-use customers are expected to amount to 3.1 TWh.

CEZ Group in Turkey

Business Environment

In July, an unsuccessful coup d'état attempt took place in Turkey. Subsequently, a state of emergency was declared in the country for a period of three months. It was extended twice—in October 2016 and January 2017—for a further three months. The unstable political situation has led to a significant depreciation of the Turkish lira by about 20%.

The electricity demand increased year-on-year by 4.3% due to the growing Turkish economy, the year-on-year growth of which has, however, slowed down to 2.2%.

The area of distribution and sale of electricity was impacted by a deterioration of conditions in the new regulatory period and by cost growth requirements of state authorities. In the context of market liberalization, the minimum electricity consumption limit for choosing the supplier was further reduced.

CEZ Group Operations in Turkey

Electricity Generation

Electricity is generated by Akenerji Elektrik Üretim (Akenerji) controlled by ČEZ and its Turkish partner AKKÖK, as well as the company's subsidiary Egemer Elektrik Üretim, which operates one CCGT plant. Akenerji owns 1 wind power plant and 7 hydro power plants.

The sale of the Akocak Hydro Power Plant was completed in 2016.

The Akenerji group generated a total 3,698 GWh of electricity in 2016. Decreased electricity generation in comparison to the previous year (4,611 GWh) was due to lower production from hydro power plants due to water shortages in some areas of Turkey, where Akenerji is present.

The effect of the weakened Turkish lira was partially offset by sales of renewable electricity within the YEKDEM (support mechanism for renewable electricity purchases, denominated in USD). To provide hedging against foreign exchange losses, generated renewable electricity will continue to be sold within the YEKDEM system in 2017.

Capital Construction

TRY 57 million was invested in electricity production, primarily to expand the Ayyıldız wind farm that was commissioned on January 27, 2017.

Installed Capacity

Location of Generating Facilities Co-Owned by CEZ Group in Turkey



List of Power Plants Co-Owned by CEZ Group in Turkey

Combined Cycle Gas Turbine Plants

Generating Facility	Owner	Type of Fuel	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Egemer	Egemer Elektrik Üretim	Natural gas	2× 292.09; 1× 319.82	2014
CCGT plants, total			904.0	

Wind Power Plants

Generating Facility	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Ayyıldız RES	Akenerji Elektrik Üretim	5× 3; 4× 3.3	2009, 2016
Wind power plants, total		28.2	

Hydro Power Plants

Generating Facility	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Bulam	Akenerji Elektrik Üretim	2× 3.515	2010
Burç Bendi	Akenerji Elektrik Üretim	3× 9.11	2010
Feke I	Akenerji Elektrik Üretim	2× 14.7	2012
Feke II	Akenerji Elektrik Üretim	2× 34.79	2010
Gökkaya	Akenerji Elektrik Üretim	2× 14.27	2012
Himmetli	Akenerji Elektrik Üretim	2× 13.49	2012
Uluabat	Akenerji Elektrik Üretim	2× 50	2010
Hydro power plants, total		288.9	

Note: Power plants in Turkey are owned by joint ventures and are therefore not included in CEZ Group's total installed capacity.

Electricity Generation Outlook for 2017

The total amount of generated electricity is expected to be 4 TWh. Year-on-year increase is due to the expected higher production in hydro power plants compared to the year 2016 with weaker precipitations.

Distribution

Electricity is distributed in Turkey by regulated regional distribution companies. Sakarya Elektrik Dagitim A.S. (SEDAŞ), controlled by ČEZ and its Turkish partner AKKÖK, is one of them. The volume of electricity distributed to end-use customers in 2016 was 8,705 GWh, increasing by 251 GWh year-on-year thanks to growing demand by households as well as by customers among industrial enterprises.

Capital Construction

TRY 106 million was invested in distribution. The investments were primarily aimed at increasing grid capacity and efficiency.

Sales

Sakarya Elektrik Perakende Satis A.S. (SEPAŞ), which has been selling electricity to end-use customers mainly in the distribution area of SEDAŞ, sold 8,918 GWh of electricity in 2016. This was a major increase in comparison with the previous year (7,612 GWh). This is partly due to the successful acquisition of eligible customers in the territory of other distribution companies and partly by regaining customers in the distribution area of SEDAŞ.

Electricity Distribution and Sales Outlook for 2017

The expectations for 2017 are 9 TWh of electricity distributed and 10 TWh of electricity sold.

Business Environment

The electricity and natural gas market in Slovakia is liberalized with the exception of persisting price regulation for households and small businesses. A legal separation of market and regulated activities (unbundling) and a partial privatization also took place. Wholesale markets for electricity and natural gas are fully liberalized. Transactions take place mainly through brokerage platforms, regional exchanges (PXE) and spot markets organized by OKTE (electricity) and SPP - distribúcia (natural gas). The electricity market forms part of the so-called 4M market coupling, i.e. it is interconnected with Czechia, Hungary, and Romania. Slovenské elektrárne is the dominant electricity producer; it is partly owned by the state and a foreign investor. Sales of electricity and natural gas to end-use customers are secured—in addition to traditional suppliers partly owned by the state and foreign investors—by alternative sellers, among which CEZ Slovensko is one of the most significant ones, both in terms of electricity and natural gas.

CEZ Group Operations in Slovakia

Electricity and Heat Generation

Process steam and electricity were produced by CM European Power Slovakia (belonging to a group of joint ventures of ČEZ and MOL until November 30, 2016). The customer was the Slovnaft refinery belonging to the MOL group. CM European Power Slovakia generated 451 GWh of electricity and 4,581 TJ of heat in 2016.

CM European Power Slovakia purchased heating oil and refinery gas from the Slovnaft refinery.

Capital Expenditures

In 2016, the capital expenditure went to the modernization of heating plant technology, modernization of control systems and improvement in fire protection.

New Nuclear Facility at Jaslovské Bohunice

The project is progressing according to the approved business plan. In the current phase, pre-project activities and studies are either completed or under progress; in particular the certificate of the Ministry of Economy of the Slovak Republic for the construction of energy facilities has been issued. The new nuclear facility was included in the Trnava Region land-use plan and the final opinion of the Ministry of Environment of the Slovak Republic on the assessment of effects of the new nuclear facility on the environment (EIA) was issued. The Zoning Technical Study for the Jaslovské Bohunice electrical substation was prepared and approved by SEPS, the Slovak transmission system operator, and other activities related to the connection to the transmission system were performed. More than 97% of priority land needed for the source construction has been purchased.

ČEZ Bohunice, a member of the CEZ Group, owns a 49% share in Jadrová energetická spoločnosť Slovenska, established for the purpose of constructing the new nuclear facility.

Sales

Sales of Electricity and Natural Gas to End-Use Customers

Electricity and gas are sold by CEZ Slovensko. It supplied electricity and gas to the segments of large customers and small customers, i.e. households and small and medium-sized businesses in 2016. End-use customers in all segments were delivered 1,735 GWh of electricity and 2,392 GWh of natural gas in 2016.

Electricity and Natural Gas Sales Outlook for 2017

It is expected that the volume of electricity supply in 2017 for the large customer segment will remain similar to 2016 and the natural gas supply will increase. Supplies of both commodities in the retail segment are also expected to increase. Pro-active market activities will continue, especially in the development of other energy services for customers.

Business Environment

Expansion of renewable energy sources is one of the main pillars of the German energy transition to low carbon and sustainable energy, the so-called Energiewende, based especially on efficiency and renewables. The share of renewable sources in electricity generation is steadily growing; in 2016 it exceeded 32%, the biggest part being attributable to wind farms and solar energy. The intention is to increase this share of the total electricity production so that it amounts to 40–45% in 2025 and 55–60% in 2035.

Another goal is to reduce the greenhouse gas emissions by 80–95% (compared to 1990) by 2050.

An amendment to the Act on renewable energy sources (EEG 2017) was adopted on July 8, 2016. It fundamentally changes the system of subsidies that have been so far based on top-up payments up to the amount of aid determined by government paid in the form of a market premium in addition to the realization price achieved on the stock exchange. For a decisive share of new renewable sources, the amount of aid will henceforth result from the auction attended by the individual sources, and will no longer be determined by the state. The intention is to ensure the integration of renewables into the market, to systematically control the speed of expansion and noticeably slow down the dynamics of costs through competitive determination of the amount of aid with effect from January 1, 2017. Setting of corridors for annual growth of installed capacity of new sources is the result of insufficient harmonization of the development of renewable sources with the construction of national transmission grids.

CEZ Group Operations

Strengthening of the position of CEZ Group in the field of renewable energy sources in Central and Western Europe is one of the main objectives of the updated strategy of CEZ Group. In this context, ČEZ announced in April 2016 its strategic intention to invest heavily in renewable energy sources, in the development of decentralized technologies and innovative solutions in Western markets (especially in renewable sources in Germany).

To support these activities, the subsidiary CEZ Deutschland opened its office in Hamburg with—after a few months of operation—a fully functional team. The company has established links with the market and all the major players in the market and has become an accepted partner.

During 2016, CEZ Deutschland became a member of four important associations of companies along the entire value chain of the renewable source industry that establish a broad platform for active dialog at the level of regions and federal states. The company expects that its membership in EEHH (Erneuerbare Energien Hamburg Cluster), EE.SH (Erneuerbare Energien Netzwerkagentur Schleswig-Holstein), WAB (Windenergie-Agentur Bremerhaven), and WEN (WindEnergy Network) can enhance its ties to the local market, provide new synergies for projects and bring other opportunities for cooperation with other companies.

After examining a number of acquisition opportunities, CEZ Group announced in early December its first acquisition of an onshore wind farm operating on the German market. The project consisting of 4 Senvion turbines with a total installed capacity of 12.8 MW, built on a turnkey basis in the northwestern part of Rhineland-Palatinate, was acquired from the German investment company AREAM.

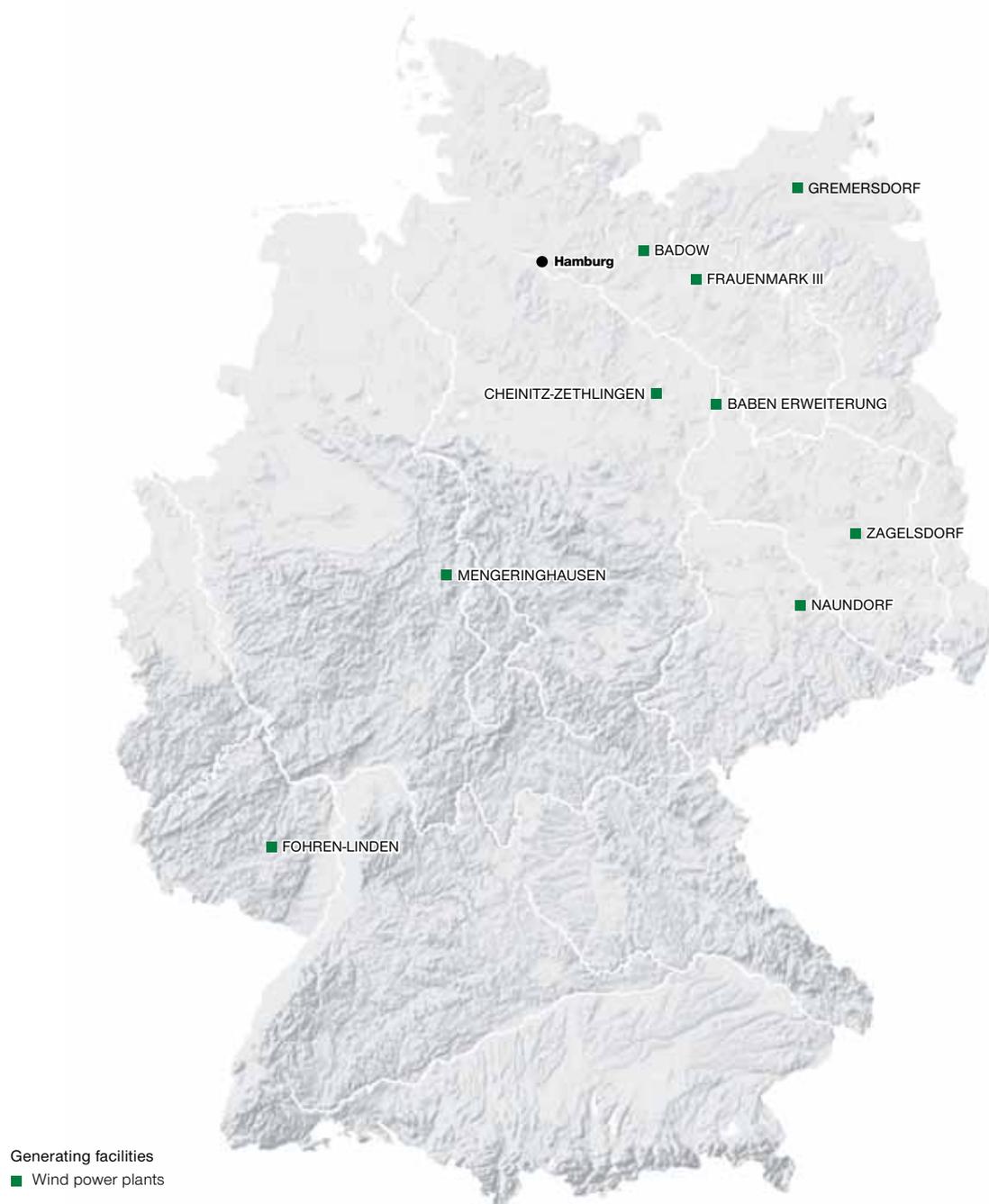
Shortly after, ČEZ announced the takeover of a portfolio of German onshore wind farms from a renowned company wpd onshore GmbH & Co. KG. It is one of the largest and highest quality portfolios with distributed risk consisting of 8 wind farms with the installed capacity of 85.25 MW located in several German federal states.

CEZ Group companies also hold minority shares in technology companies—sonnen and tado from Bavaria and SunFire from Saxony. sonnen is active in the field of storing energy from solar panels and other renewable sources, tado is developing possibilities of smart temperature control in households, and SunFire focuses on fuel cell technology.

Installed Capacity

As at December 31, 2016, CEZ Group companies in Germany owned onshore wind farms with the installed capacity of 98.1 MW.

Location of CEZ Group's Generating Facilities in Germany



List of CEZ Group Power Plants in Germany

Wind Power Plants

Plant	Owner	Installed Capacity (MW) as at December 31, 2016	Year Commissioned
Fohren-Linden	CEZ Erneuerbare Energien Beteiligungs	12.8	2016
Mengeringhausen	wpd Windparks Luv	12.0	2016
Naundorf	wpd Windparks Luv	6.0	2015
Baben Erweiterung	wpd Windparks Luv	9.2	2015
Gremersdorf	wpd Windparks Luv	6.9	2016
Cheinitz-Zethlingen	wpd Windparks Lee	13.8	2016
Frauenmark III	wpd Windparks Lee	2.3	2016
Zagelsdorf	wpd Windparks Lee	7.5	2016
Badow	wpd Windparks Nordwind	27.6	2015
Wind power plants, total		98.1	

Selected Information Concerning the Performance of the Generation Segments in Germany

	Unit	Generation—Traditional Energy		Generation—New Energy		Total	
		2015	2016	2015	2016	2015	2016
Installed capacity	MW	–	–	–	98	–	98

Electricity Generation Outlook for 2017

CEZ Group power plants in Germany are projected to generate 235 GWh of electricity in 2017.

CEZ Group in Countries With Limited Presence

CEZ Group has only limited operations in some countries where it is present. These include countries where activities are still under development or have already been wound down, as well as countries where no energy-related business activities are pursued.

Hungary

Sales of Electricity to End-use Customers

Electricity was sold through CEZ Magyarország Kft. (CEZ Hungary Ltd.) which supplied 1,129 GWh of electricity to large end-use customers in 2016, i.e. a year-on-year increase of 381 GWh.

Electricity Sales Outlook for 2017

The total amount supplied in 2017 is expected to be similar to that of 2016. We will continue to actively pursue growth in our market share.

Shares of MOL Nyrt.

CEZ MH B.V., a member of CEZ Group, holds a 7.5% equity stake in the Hungarian petrochemical company MOL Nyrt. The market capitalization of the shares traded on the Budapest stock exchange was approximately CZK 13.8 billion as at December 31, 2016, which was a year-on-year increase of CZK 4.5 billion. On February 4, 2014, CEZ MH B.V. issued convertible bonds that can be exchanged by their owners from January 25, 2017 to July 21, 2017 for shares of MOL Nyrt. at the price of EUR 61.25 per share.

Serbia

CEZ Group operates on the wholesale electricity market in Serbia.

Ireland

Irish companies were wound up in 2016; CEZ Group has no active company in the country.

Netherlands

CEZ Group pursues none of its own business activities in this country. The local subsidiaries are holding or financing companies.

Ukraine

Only one subsidiary exists in the country. Activities of CEZ Group in Ukraine have already been terminated. Liquidation of CEZ Ukraine LLC is in progress.

TMK Hydroenergy Power

Based in Romania, TMK Hydroenergy Power operates four reservoirs and four small hydroelectric power plants with a total installed capacity of 22 MW.

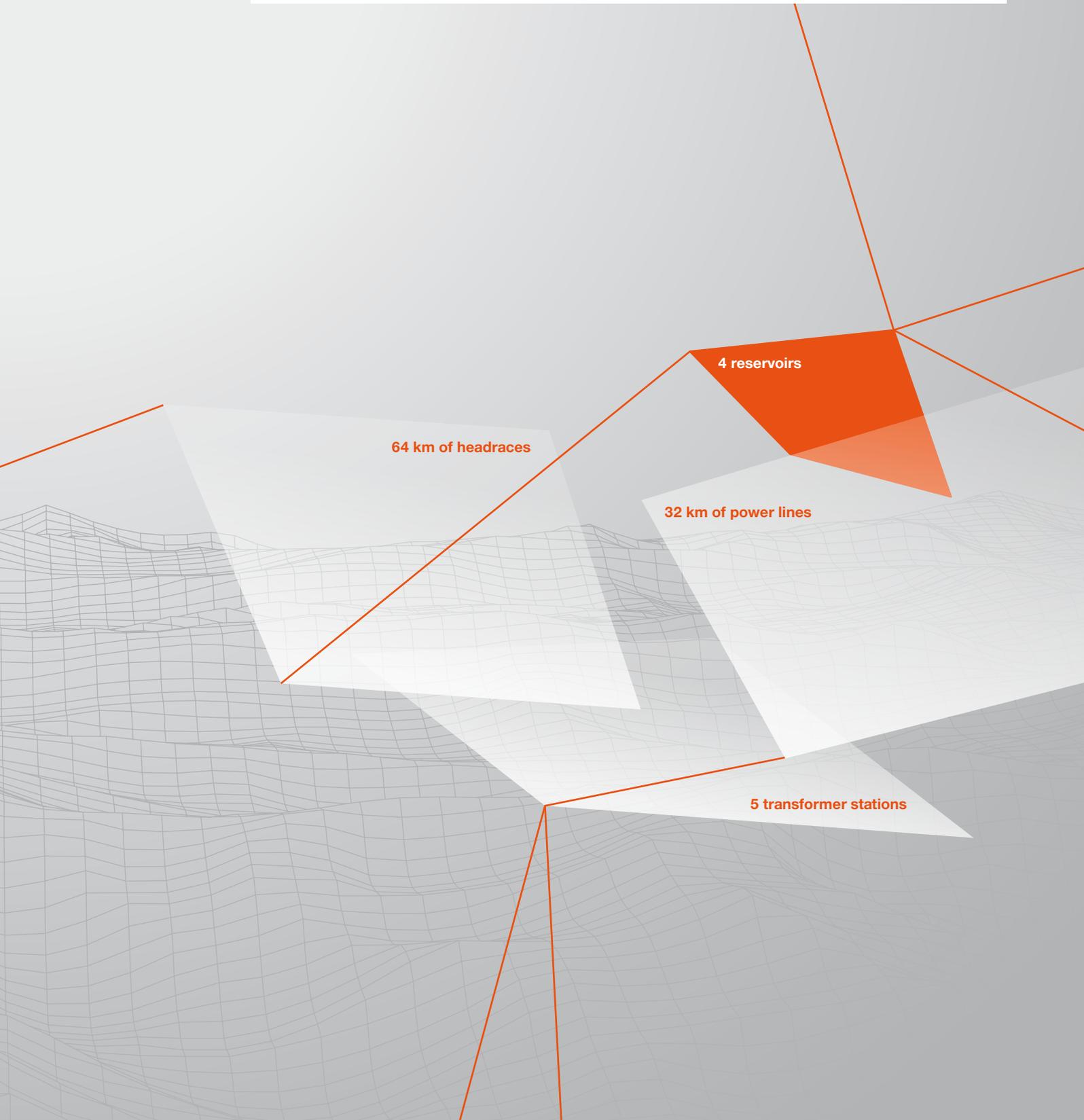


4 hydroelectric power plants

1 pumping station

Reservoirs: Trei Ape, Gozna, Văliug, and Secu
Small hydroelectric power plants: Crainicel I, Crainicel II,
Grebla, and Breazova

TMK Hydroenergy Power owns a system of waterworks near Reșița in southwestern Romania. In 2010, the company decided to undertake an extensive and complex reconstruction project that lasted until 2013. The availability of its facilities increased by 20% after its completion. The facilities are now fitted with state-of-the-art turbines, generators, modular transformers, electric cells, automation boards, and water treatment equipment. And what makes this transformation special? For example, difficult access—the power plants are located in Romanian mountains where the Bârzava Superioară River flows. The reconstruction was acknowledged as the best renewables project in the Romanian Energy Awards 2013.



Research and Development

CEZ Group companies reported total 2016 expenditures on research and development amounting to CZK 870.6 million. The expenditures of ČEZ include a reactor vessel material surveillance program (CZK 181.1 million), which is aimed at obtaining information on the current state of reactor pressure vessels and providing a scientific basis for predicting their useful lifetimes.

CEZ Group Expenditures Relating to Research and Development in 2016 (CZK Millions)

Company	R&D expenditures	Of Which Subsidized
ČEZ	282.2	-
Centrum výzkumu Řež	444.9	391.8
ÚJV Řež	119.1	51.4
Severočeské doly	6.3	-
ČEZ Distribuce	5.2	-
ČEZ Energetické produkty	5.1	-
ENESA	3.9	2.5
PRODECO	2.4	-
ČEZ ESCO	1.3	-
ČEZ Solární	0.2	-
Total	870.6	445.7

ČEZ

The system of coordination of research and development at CEZ Group allows defining key activities with the optimal solution form of R&D projects across the Group. Areas and themes with significant application potential are accentuated.

International Collaborations and Technology Platforms

ČEZ is a member of Electric Power Research Institute, Inc. (EPRI) in the segments of nuclear energy and fossil-based energy, and VGB PowerTech, e.V. where its participation focuses on conventional power and partially on renewables too. Outputs of the two associations are strongly application-oriented, and the tasks are defined by the members—operators of power plants. ČEZ is also a member of several European technology platforms and European industrial initiatives; it has a strong position in nuclear energy, as documented by its participation in the Sustainable Nuclear Energy Technology Platform (SNETP), the NUGENIA association (focusing on research and development of Generation II and III nuclear reactors), or the European Sustainable Nuclear Industrial Initiative (ESNII) focusing on preferred Generation IV nuclear reactor concepts. As for domestic activities, ČEZ is active primarily in the “Czech Republic Sustainable Energy” (TPUE) technology platform, which focuses on improving the environment for energy research and development, strengthening collaboration at the international level as well as between industry and the research sector. A ČEZ representative has been the Chairman of the Executive Committee for a long time.

Nuclear Power

Participation of ČEZ in the nuclear sector of EPRI allows utilizing a wide range of information, from fuel reliability, corrosion of materials, and safety aspects to new nuclear technologies. ČEZ pays significant attention to long-term research in the field of safety of nuclear power plants and their resilience following the accident at the Fukushima Nuclear Power Plant. As for the facilities it operates, it pays particular attention to their ability to cope with severe accidents that were not considered in the original project (e.g. the possibility of stabilization of a degraded reactor active zone after a severe accident). Furthermore, the development of a simulation training tool for coping with a severe accident of a nuclear power plants continued, linked to a project of the Technology Agency of the Czech Republic (TA CR).

Non-Nuclear Power

The development focuses on diagnostic methods allowing to optimally manage the use of the facility and utilize its service life, both in end-of-life coal plants and new facilities with modern materials. Many starting projects focused mainly on components of a boiler room and engine room, e.g. high-pressure steam pipelines, low-pressure turbine blades, reheaters and superheaters of boilers. ČEZ obtains a great deal of necessary information thanks to its membership in EPRI, programs focusing on the service life and behavior of materials used in coal-fired facilities, as well as programs oriented on turbines and generators.

In 2016, a prototype of an innovative water vortex turbine in Želina was commissioned (with a capacity of 2× 14 kW). ČEZ has for a long time been monitoring the development of technologies for energy storage, among other things in connection with the continued development of electricity generation from intermittent renewable sources and the development of distributed energy technology. Evaluation of a possible use of deep geothermal energy in the Ústí Region was performed, with particular focus on the utilization of heat.

Projects Supported by National Public Funds

ČEZ is an active participant in projects supported by the TA CR as an industrial partner. An ongoing project aims to map the potential of biomass as energy source for covering local, regional, or national fuel needs. Work on two large long-term projects from the Competence Centers program continued: one project, entitled “Center for Reliable Energy Research and Experimental Development” (CESEN), aims to help increase the efficiency, service life, operational reliability, safety, and effectiveness of both coal-fired and nuclear power plants; the other project, “Waste-to-Energy Competence Center” aims to prepare detailed engineering and economic designs for a set of cost-effective and efficient waste combustion facilities and to gain information on waste logistics.

Centrum výzkumu Řež (CVŘ)

Centrum výzkumu Řež is a research organization focusing on research, development and innovation in the energy sector, in particular nuclear energy. The backbone of the research infrastructure of the company consists of 2 research reactors (LVR-15 and LR-0) and a set of laboratories and experimental facilities (laboratories dealing with non-destructive testing methods, materials, chemical, and microstructural laboratories, and experimental technological loops). The research infrastructure is greatly enhanced by the implementation of a large capital project named SUSEN (Sustainable Energy) under the Research and Development for Innovation Operational Program and partly under its successor, the Research, Development and Education Operational Program. The capital part of the project will be completed in mid-2017 and will be followed by a sustainable phase with clear scientific and research objectives, lasting until 2022. A significant milestone in 2016 was the commissioning of hot cells, which—together with other laboratories—allow to cover a very wide range of analyses of failures and degradation of irradiated and unirradiated materials.

International Collaboration

Centrum výzkumu Řež is a member of many international organizations, e.g. the European Energy Research Alliance (EERA), European Nuclear Education Network Association (ENEN), European Technical Safety Organisation Network (ETSON), or NUGENIA. It has successfully participated in projects dealt with by many international teams and consortia supported by the Horizon 2020 program. In 2016, 10 projects belonging to this area focused primarily on material research in the area of Generation IV reactors, disposal of radioactive waste and spent fuel, including final storage, coping with severe accidents, and support of teaching and training of the nuclear facilities personnel. On the basis of an intergovernmental agreement between Czechia and the USA, cooperation with leading American laboratories and universities was further developed, especially in the area of development of technology of small modular reactors. In the area of contract research, projects with Japanese partners, focusing on research and development of methods for the separation of radionuclides from the Fukushima reactors belong among the most important ones. Cooperation with the operators of nuclear power plants validating data for neutron-physics calculations, in which the unique experimental possibilities of the LR-0 reactor are successfully used, was further developed too.

As part of activities focused on the development of a fusion reactor, research work continued under the auspices of EUROfusion and Fusion for Energy consortia, whose main objective is a successful implementation of the ITER tokamak and—in the more distant future—of a DEMO facility. A key experimental facility, HELCZA (High Energy Load Czech Assembly), designed to test materials for the so-called first wall of the ITER fusion reactor that will be in direct contact with the plasma, was put into operation. In collaboration with the Institute of Plasma Physics of CAS in Prague, CVŘ co-organized an international conference SOFT2016 in Prague, one of the most important fusion conferences in the world.

National Projects

Six projects supported by the Technology Agency of the Czech Republic and the Grant Agency of the Czech Republic focusing e.g. on the diffusion of radionuclides by minerals as a support for analyses for deep geological repositories of radioactive waste, development of materials for advanced nuclear reactors and other energy applications, or development of components for fast reactors and for application in nuclear fusion, were dealt with in 2016.

As for contract research, co-operation in the area of development of new methods of non-destructive inspections and support for programs of controlled aging was developed. Furthermore, research was aimed at studying the mechanism of operational degradation of austenitic steels and welded joints. Technology for the research and testing of the resilience of components during severe accidents has been commissioned. In collaboration with Czech and international institutions, research in the field of radiation-induced aging of concrete structures and the development of methodologies for nondestructive inspections for the needs of extension of service life of nuclear power plants has been successfully developing. Another important area is the research and development of irradiation methods and methods of production and transmutation of radioisotopes, where the research reactor LVR-15 is used e.g. for the production of radionuclides for the pharmaceutical industry, radiation doping of silicon for semiconductors, coloring of semi-precious stones, and development of neutron radiography methods.

ÚJV Řež

Since its foundation in 1955, ÚJV Řež (formerly Ústav jaderného výzkumu Řež a.s.) has been an important organization in the European research environment. It focuses on services for the operators and manufacturers of power installations, especially nuclear power plants, processing, storage and disposal of radioactive waste, and radiopharmaceuticals.

International Projects

ÚJV Řež is the most important Czech research team working on EU projects in the field of nuclear fission (EURATOM). Projects under the EU's 7th Framework Program include, for example, the safety of actinide separation processes (SACSESS), erosion of bentonite as an engineered barrier for a deep geological repository (BELBAR), advanced probabilistic safety assessment (ASAMPSE), or research projects linked to European nuclear industrial initiatives (NUGENIA+ and ESNII+ projects). Under the Horizon 2020 program, the ÚJV Řež participates in 9 projects focusing e.g. on cementitious materials and their barrier function (Cebama), strategy for retention of melt in the reactor during a severe accident (IVMR) or the development of heat dissipation system using supercritical CO₂ (sCO₂ HeRo).

ÚJV Řež is involved in MAAE and OECD/NEA projects aimed at improving the safety of nuclear power plants with VVER-type reactors.

National Projects

In 2016, there were 38 projects in progress that were supported by the Technology Agency of the Czech Republic (TA CR) or the Ministry of Industry and Trade, the Ministry of Finance, and the Ministry of the Interior. Additionally, a number of projects of a commercial nature were undertaken. Most of the projects were supported by TA CR. These projects include e.g. materials for advanced nuclear reactors and other energy applications, and development of a low-emission energy system that captures CO₂ before the combustion or development of apparatus for characterizing materials of engineered barriers of a deep geological repository for spent nuclear fuel. The most demanding projects include those related to safety, such as the experimental and analytical work necessary to validate the concept of retention of melt inside the reactor pressure vessel as a solution for the final phase of a severe accident for a VVER 1000 reactor, or the response of reinforced and prestressed concrete structures of VVER 1000 units to extreme dynamic loads for selected scenarios of development of severe accidents. ÚJV Řež also focuses on the development of new energy technologies for the future, among others the hydrogen mobility and methodology for building hydrogen filling stations under the conditions of Czechia.

Severočeské doly

Projects of development character are implemented using external contractors as capital contracts. In the mining engineering area, the most important activities in 2016 included the increase in soil capacity of the internal dump site at Bílina Mine; maintenance work on boreholes and deep probes of static penetrations, including sampling of soils, were completed this year. In the mining area, a geophysical and hydrogeological survey of underlying sands (3D seismic measurement of sand bodies in the basement of a coal seam) was undertaken, followed by the creation of a 3D model of the seam, including tectonic damage and other layers, but also of a model of sand bodies, for which uneven progress is expected in the form of fillings of paleochannels of rivers.

ČEZ Distribuce

Activities were focused on the implementation and testing of pilot projects of new technologies in the area of medium- and low-voltage grids. Projects were related to the testing of communication technology for Smart Grids on outdoor lines of 35 kV and the detection of faults of insulated medium-voltage wires. One of the projects is the implementation of remote-controlled elements in outdoor medium-voltage lines or the 2nd generation of detectors of faults of insulated medium-voltage wires. Another project is the evaluation of reliability of individual distribution system elements (element reliability) or evaluation of the operation, usability and effect of renewable energy sources on the electricity system in Czechia. Attention was also devoted to facilities with controllers for management/utilization of excess production from renewable sources, which—according to current experience—cause deterioration of certain quality parameters of electricity. Voltage stabilization in medium- and low-voltage distribution grids with a high share of renewable energy sources and distributed generation was dealt with too, with a view to assessing their effect and impacts on voltage quality. In 2016, the complex international project GRID4EU (co-financed from the 7th Framework Programme of the EU) was completed; the Czech participation focused on the development and validation work in the Vrchlabí Smart Region. The INTERFLEX project co-funded from the Horizon 2020 program builds on this project.

ČEZ Energetické produkty

Towards the end of 2016, the implementation of the project Development and Industrial Optimization of Processes for the Production of Building Materials Using High Ash Content supported by TA CR commenced. The project is implemented in cooperation with the Faculty of Civil Engineering of CTU in Prague and the Faculty of Chemical Technology of UCT in Prague. Among ČEZ Energetické produkty's own research activities, we can mention the application of results for the project of building a distribution center for coal combustion products in the Tušimice Power Plant site, the development of measures for coal combustion products in relation to the selective catalytic reduction of nitrogen oxides in the flue gas, development of anti-dust measures at the Trískolupy disposal site, microbiological investigation of disposal sites near the Počeradý and Mělník power plants and biological monitoring of water in sludge pits at the Počeradý, Tisová and Ledvice power plants.

ENESA

ENESA participates in the QUANTUM project (co-financed from Horizon 2020 program), which aims to develop and test tools and procedures for the introduction of quality management process throughout the life cycle of buildings and thus achieve further savings in operating costs. Another activity of ENESA is the development of the energy portal for cities using continuously measured data.

PRODECO

The most important development project was the backup control of the extracting machine for overburden K 10 000/K74 in order to increase the safety of machine operators in relation to extraction activities in the presence of large quantities of ammunition from World War II. In 2016, the development of excavator buckets with a gear system for large-scale machines KU 300 was also implemented and the development of a spiked-roller crusher to change the production of graded coal was initiated.

ČEZ ESCO

The main development activity of ČEZ ESCO focused primarily on the development of the Smart City concept. It involves the integration and development of various services and technologies, including smart lighting and utilization of the potential of the Internet of Things network technology. Another activity performed in 2016 was the development of specialized lighting technology using light emitting diodes (LEDs) for growing crops in greenhouses.

ČEZ Solární

In the field of photovoltaic power plants, development activities include cooperation with sonnen and the development of new products, e.g. hybrid photovoltaic power plants.

CEZ Group Donorship

Social responsibility is an integral part of all activities of CEZ Group. Through sponsorship and corporate donorship, it has been long supporting projects in its area, for example in the field of education, culture, sports, environmental protection, and community life.

Donorship

CEZ Group is the largest corporate donor in Czechia and its comprehensive approach to donor activities is regularly appreciated by independent experts. Employees are involved in corporate donorship too. In 2016, they contributed—already for the tenth time—to the charitable project entitled “Granting Wishes, Thinking About Others.” They supported people with sensory disabilities by a record-breaking amount of CZK 1.139 million and the CEZ Foundation subsequently doubled this amount to CZK 2.279 million. Through the EPP—Move to Help mobile app, CEZ Group involves the public in deciding whom to support. Last year alone, it contributed to 292 projects based on their selection.

Financial Donorship

CEZ Group companies donated CZK 563 million in 2016, with direct donations accounting for CZK 351 million and contributions to the CEZ Foundation amounting to CZK 212 million.

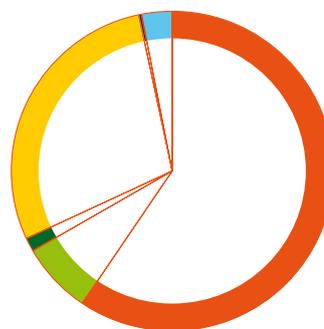
Direct Financial Donations by CEZ Group Companies (CZK Millions)

ČEZ	68
Other fully consolidated CEZ Group companies	283
CEZ Group, total	351

CEZ Group wants to be a good neighbor. It therefore acts in the spirit of the motto “We Help Where We Operate” and its financial donations are directed primarily to promote regional development. It also contributes to projects focusing on social, cultural, sporting, educational, and environmental protection areas.

Direct Financial Donations by ČEZ, a. s., by Area

Area	CZK Millions	%
■ Municipal infrastructure and regional development	40.6	59.7
■ Culture and environment	4.9	7.1
■ Education, science, and youth	0.9	1.4
■ Sports	19.5	28.7
■ People in need and people with disabilities	0.1	0.1
■ Healthcare	2.0	2.9
Total	68.0	100.0



List of Entities Supported by ČEZ

For a file with a list of entities supported by ČEZ in 2016 and the form of support, refer to www.cez.cz/dary.

CEZ Foundation

Financial Contributions by CEZ Group Companies to CEZ Foundation
(CZK Millions)

Company	Contribution
ČEZ	86.0
ČEZ Distribuce	75.0
ČEZ Distribuční služby	25.0
ČEZ ICT Services	1.0
ČEZ Prodej	21.6
ČEZ Zákaznické služby	3.2
Total	211.8

CEZ Foundation Activities

Over its fourteen-year history, the CEZ Foundation (www.nadacecez.cz) has supported more than 7,600 public benefit projects with donations totaling CZK 2.18 billion.

In 2016, it supported 1,003 projects with CZK 197.075 million under programs responding to society's current needs.

These were regularly opened grant programs:

Orange Playgrounds—support for building and renewing children's playgrounds and sports fields.

Support for Regions—support for activities that help improve the life of local people in municipalities throughout Czechia, particularly those concerning health care, children and youth, social work, science and education, protection of human health and human rights, culture, and the environment.

Orange Stairs—support for accessibility modifications enabling students and teachers with disabilities to integrate into the learning process.

Trees—support for planting rows of trees, primarily new and renewed avenues of trees and roadside trees.

Orange Crosswalk—support for lighting at crosswalks.

Orange Classroom—schools received teaching aids and equipment that contribute to improving the quality and attractiveness of technical subjects for their participation in mathematics and physics Olympiads and other competitions.

Employee Grants—support for nonprofit organizations that employees from CEZ Group companies in Czechia volunteer at. An important element for involving the public in the Foundation's activities was the **EPP—Move to Help mobile app**. The app allows users to generate points by being physically active and to give the points to offered nonprofit projects, which then receive financial support from the CEZ Foundation.

The Move to Help charity event offered visitors a variety of cultural, social and sporting events, or one-minute pedaling on specially designed exercise bikes for the benefit of local nonprofit organizations.

Companies Selling Electricity to End-Use Customers

CEZ Group's electricity can be enjoyed by end-use customers in many countries: Czechia, Bulgaria, Romania, Poland, Hungary, Slovakia, and Turkey.

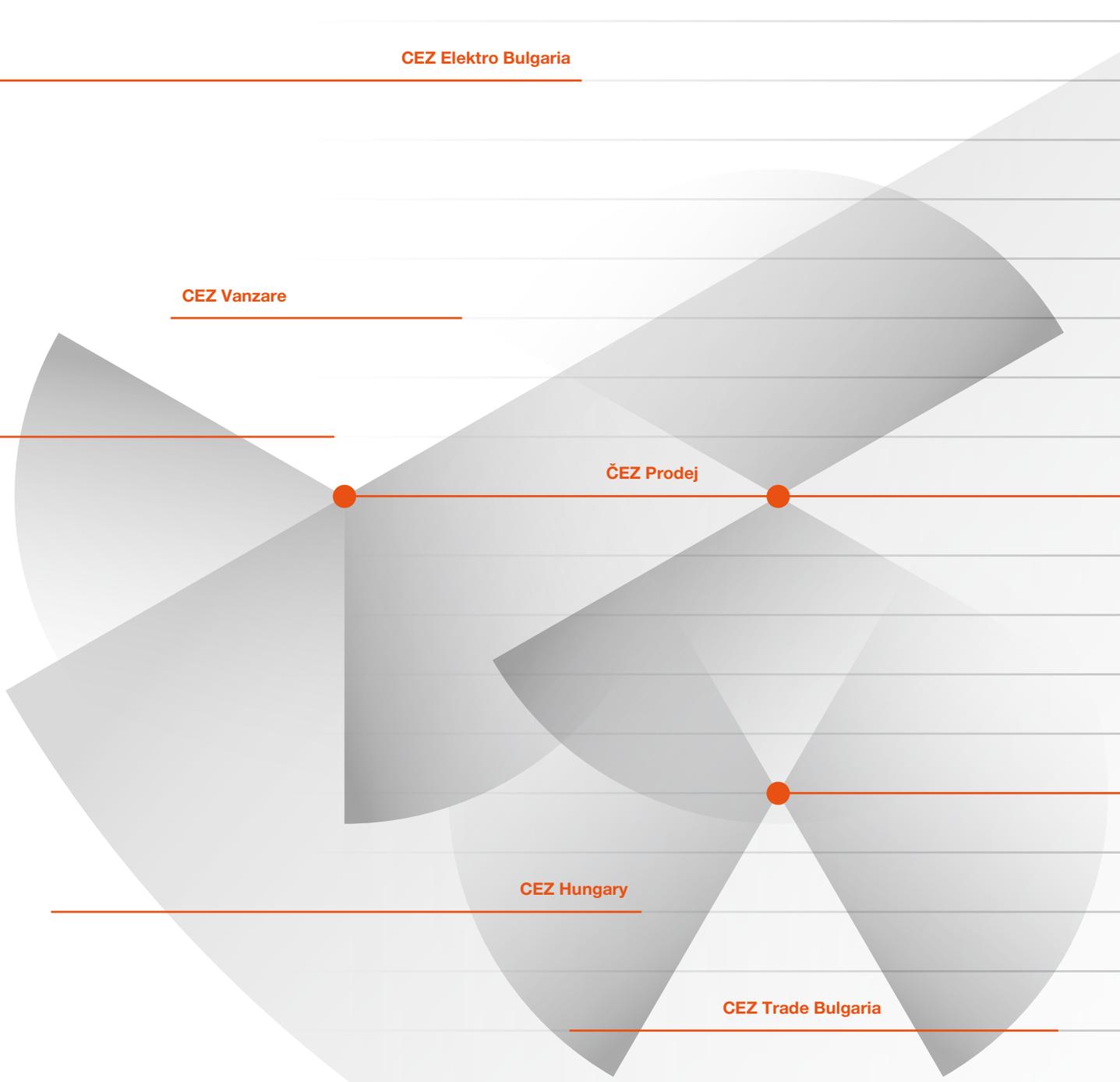
CEZ Elektro Bulgaria

CEZ Vanzare

ČEZ Prodej

CEZ Hungary

CEZ Trade Bulgaria



In countries where CEZ Group includes a distribution company, sales companies originated from the process of unbundling, which divided former regional distribution companies into multiple entities in compliance with the European Union's legislation. This is what happened in Czechia, Bulgaria, Romania, and Turkey. In other countries, namely Hungary, Slovakia, and Poland, electricity is sold to end-use customers by newly established companies. In the past, CEZ Group also offered electricity to customers in Albania.

CEZ Trade Polska

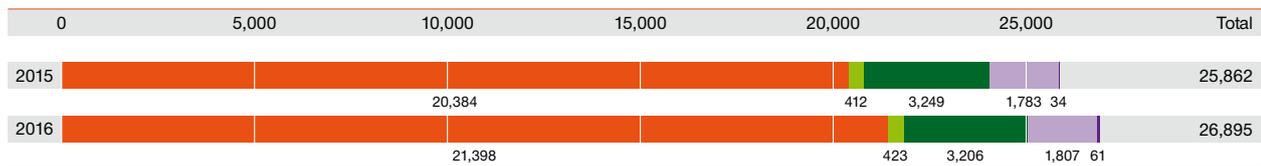
CEZ Slovensko

Human Resources

Headcount Changes

As at December 31, 2016, companies within the consolidated CEZ Group employed 26,895 people, i.e. 1,033 (4%) people more than at the same date in 2015.

Workforce Headcount as at December 31, by Location



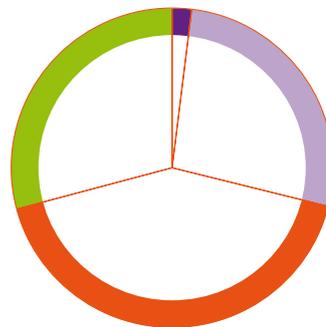
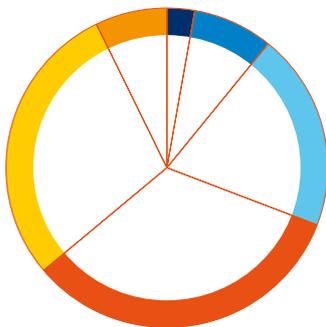
- Czechia
- Poland
- Bulgaria
- Romania
- Other countries

Work Force by Age as at December 31, 2016

Age Group	%
24 years and under	3
25–29 years	8
30–39 years	20
40–49 years	33
50–59 years	29
60 years or more	7
Total	100

Work Force by Highest Level of Education Achieved as at December 31, 2016

Education Level	%
Primary	2
Apprenticeship	27
Secondary	42
University	29
Total	100



Training Program

The line of business and strategic objectives, including ensuring safe and reliable operation of nuclear power plants of CEZ Group, place high demands on the expertise, skills, and experience of its employees. For their ongoing development, the training program focuses on

- Securing training to meet the qualification requirements in accordance with legislative requirements
- Offering a wide range of training to acquire the necessary knowledge and skills beyond the qualifications
- Continually developing a portfolio of in-class, e-learning, and combined training courses
- Implementing a series of tailor-made programs, such as the “Management Growth Program—People Development Forum” (joint platform of the CEZ Group top management for discussing development and career opportunities of individual program participants)
- Implementing graduate and trainee programs: the ČEZ Potentials trainee program has been taking place for 13 years already; it is intended for talented graduates and the portfolio of programs is newly extended also for graduates of technical secondary schools
- Utilizing individual development plans, for example in the context of succession planning
- New forms of development—internal and external mentoring, internal coaching
- Support for sharing of important know-how and experience (knowledge management)

Social Policy

At CEZ Group, social policy consists of a wide range of activities and benefits, both monetary and non-monetary, provided to employees under collective agreements negotiated between employers and labor unions. Employees earn wages in accordance with CEZ Group’s long-term financial performance and its position in the labor market. CEZ Group companies have a shortened, 37.5-hour work week, one additional week of paid vacation is provided beyond the statutory minimum, and employees get paid leave beyond the scope required by law. CEZ Group companies also provide employees with an extra wide range of perks such as personal accounts intended primarily for recreation and leisure-time activities; health care, including preventive health programs (Health Days); contributions to supplemental pension insurance, life insurance, employee meal plans; contributions during the first 3 days of sick leave; special bonuses for jubilees and on retirement; and one-shot social aid in case of an emergency. CEZ Group companies also take care of their retired employees (CEZ Group Seniors Endowment Fund, Pensioners’ Clubs). The fundamental principles of CEZ Group’s remuneration and social policy in Czechia apply to acquisitions abroad as well.

Relations with Labor Unions

There was a total of 27 local labor unions operating at ČEZ in 2016, organizing more than 1,400 employees, i.e. approximately 30% of the company's total workforce.

Selected important subsidiaries of CEZ Group in Czechia had a total of 42 local labor unions, organizing approximately 3,100 employees, i.e. 47% of the employee headcount. 33 of these basic labor organizations were members of 4 regional Associations of Basic Organizations.

The above-mentioned local unions are members the ECHO Labor Union, the Czech Union of Power Industry Employees (CUPIE), and the KOVO Trade Union. ČEZ is a member of the Czech Association of Energy Sector Employers, which negotiates a higher-level collective agreement with CUPIE and ECHO. In 2016, a new higher-level collective agreement was signed for the period of 2017–2020. Regular meetings were held between the employer and labor union representatives in 2016 in order to provide information to labor unions and to discuss organizational changes and other topics specified by the Labor Code and the collective agreement.

Collective bargaining in 2016 concerned amendments to all collective agreements in force, dealing primarily with wages, salaries, and benefits. In May 2016, an Amendment No. 14 to the collective agreement of ČEZ and collective agreements of selected subsidiaries was signed, which extends the possibilities of utilizing benefits. In August 2016, an amendment to the collective agreement of ČEZ was signed, relating to the adjustment of remuneration for financial results for tariff employees. Collective bargaining was completed in December by signing an Amendment No. 16 to the collective agreement of ČEZ and by signing amendments to the collective agreements of selected subsidiaries that define the wage increase for 2017 and the extension of validity of the collective agreement until 2022.

14 labor unions operated within the Severočeské doly group. Severočeské doly and its subsidiaries PRODECO, Revitrans, and SD - Kolejová doprava have collective agreements, including amendments to the collective agreement, effective until December 31, 2017.

CEZ Group's production and distribution companies abroad usually have union memberships exceeding 70% of the workforce. In Poland, a total of 4 labor organizations operated within CEZ Group in 2016. The principal subject matter of collective bargaining were salary raises in 2017. In August 2016, negotiations commenced on a new collective agreement for employees of the CEZ Chorzów company, resulting in signing the collective agreement effective from January 1, 2017 and valid until the end of 2019.

The collective agreement for employees of CEZ Skawina is effective until the end of 2018.

There was 1 labor union operating at the Varna Power Plant in Bulgaria. The collective agreement is effective until the end of 2017. CEZ Razpredelenie Bulgaria had 4 labor unions, CEZ Bulgaria EAD also had 4 labor unions, and CEZ Elektro Bulgaria AD had 2 labor unions operating at the company. The collective agreements at these companies are valid until December 31, 2017.

In Romania, collective agreements are signed at CEZ Distribuție (newly Distribuție Energie Oltenia), CEZ Romania, CEZ Vanzare, and TMK Hydroenergy Power. CEZ Vanzare has a collective agreement effective until December 31, 2017. TMK Hydroenergy Power's collective agreement was renewed until December 31, 2017. CEZ Romania has a newly signed collective agreement effective for a period of two years starting on January 1, 2017.

CEZ Distribuție (newly Distribuție Energie Oltenia) has a collective agreement effective until March 31, 2018.

The CEZ Group European Works Council has been operating in CEZ Group since 2007; it is currently composed of 23 employee representatives from Czechia, Poland, Bulgaria, and Romania. Meetings that take place twice a year focus on topics related to the CEZ Group strategy, financial results and development in foreign and domestic shareholdings of CEZ Group.

As part of environmental protection, we systematically monitor and assess risks and minimize environmental impacts under the integrated prevention system.

Greenhouse Gas Emission Allowances

Czechia

Czechia, along with another 8 member states of the European Union, is exempted from the obligation to allocate greenhouse gas emission allowances for electricity generation solely at auctions from 2013 on. Its application for partially free allocation of allowances for electricity generation (derogation) from September 2011 was approved by the European Commission. The emission rights for generation of electricity and heat for the year 2016 were credited to the respective account in February (heat) and July (electricity) 2016. Under the derogation, CEZ Group can get 69.6 million tons emission allowances (not including emission allowances for Elektrárna Chvaletice and Elektrárna Tisová—from 2017—which are no longer part of CEZ Group) in the Czech Republic in 2013–2020 in exchange for investments in reducing greenhouse gas emissions. The amount of these investments must at least correspond to the value of allowances allocated free of charge under the derogation, which are calculated on the basis of their market price in the previous year. In 2016, CEZ Group submitted to the Ministry of the Environment of the Czech Republic its Report on Investments for the period from October 1, 2015 to September 30, 2016, in which independent financial and energy auditors confirmed that the Group had invested over CZK 220 million in clean, environmentally friendly technologies. CEZ Group has thus invested more than CZK 34 billion under the derogations.

Poland

A request for partially free allocation of allowances for electricity generation in Poland, where CEZ Group also operates, was approved by the European Commission. Allowances for heat generation were allocated in February 2016; allowances for electricity generation for 2016 will be allocated in 2017.

Air Protection

Czechia

The generation of electricity and heat from fossil sources, and the extraction of such sources alone, are associated with emissions of pollutants to the air. The extraction of brown coal releases dust particles; the combustion of fossil fuels results, in particular, in the emissions of sulfur dioxide, nitrogen oxides, carbon monoxide, and dust.

To decrease the amounts of pollutants released to the air, combustion facilities operated by CEZ Group are fitted with emission reduction equipment.

To decrease the amount of sulfur oxides, most facilities use a highly efficient flue gas desulfurization method based on limestone wet scrubbing; smaller facilities use a semi-dry method in which pollutants from flue gases are absorbed on lime suspension particles and particles of the resulting product are then dried by the heat in flue gases. Sulfur oxides from fluidized bed boilers are captured directly in the combustion chamber by dosing limestone to the furnace. At some combustion units (especially fluidized bed boilers), emissions of sulfur dioxide are reduced by replacing fossil fuels with biomass combustion or co-firing.

Dust particles are captured by electrostatic precipitators or bag filters; the efficiency of separation of these pollutants is around 99%. Operation of equipment to reduce nitrogen oxides emissions through a combination of primary and secondary measures was optimized at the Počeradý, Mělník I, and Dětmarovice power plants in 2016.

In connection with the commissioning of 3 renovated units of Prunéřov II Power Plant, the two environmentally unimproved units of this facility were permanently shut down, which will significantly reduce emissions in the area.

In 2016, emission limits were met at all CEZ Group coal-fired power plants, the cumulative emission ceiling of ČEZ, a. s. was complied with, and all other technical conditions for operation relating to air protection, as imposed on the facilities in the operating licenses granted by competent administrative authorities, were fulfilled. Emissions from coal-fired power plants are monitored continually; the quality of air near coal-fired power plants and coal mines is evaluated. Pollution measurement data is included in the ISKO database run at national level by the Czech Hydrometeorological Institute. When operating its coal-fired power plants and heating plants, CEZ Group monitors their effect on air pollution on a long-term and systematic basis using its own air pollution measurement network. In 2016 it operated 11 air pollution monitoring stations located near coal-fired power plants and heating plants and measuring gaseous pollutants (SO₂, NO_x), with 5 of the monitoring stations also measuring suspended dust particles (PM₁₀, PM_{2.5}).

The public is kept informed on a website about the results of the pollution monitoring conducted in connection with the operation of combustion plants.

Coal mines may pollute the air particularly by airborne dust. Monitoring stations are located in the municipalities affected by mine operations, providing continuous measurement of dust pollution, in particular suspended PM₁₀ particles, with remote data transmission. They are operated by an independent accredited laboratory. The results of the measurement are provided to the affected municipalities and governmental agencies in the form of data reports at regular monthly intervals. Measurement of PM₁₀ particles in the municipality of Mariánské Radčice was commenced in February 2017.

Poland

In 2016, Skawina Power Plant did not exceed the emission limits of harmful substances stipulated in the authorization. Chorzów Power Plant did not exceed monthly limits for these substances, but exceeded the daily limits for nitrogen oxides on 3 days.

Bulgaria

Varna Power Plant was out of operation in 2016 and consequently produced neither any pollutant emissions nor greenhouse gases.

Water Protection

Czechia

In the field of water management, CEZ Group focuses—in connection with the operation of technological facilities—on efficient water management, prevention and control of its pollution, and observation of water protection principles. Surface water is predominantly used as technological water; it is used for diversion cooling and for feeding of power plant boilers, including ancillary technologies.

Water withdrawal and wastewater discharge are subject to conditions set down in integrated permits issued by competent authorities or in the decisions of water authorities. In the reporting period, all generating facilities of CEZ Group complied with the prescribed technical conditions of operation. Protection of water against the potential negative effects of generating facility operations is ensured pursuant to the Water Act. Where substances hazardous to water are handled, measures are taken to prevent such substances from getting into groundwater, surface water, or sewage systems. No harmful substances were released by any generating facility into surface water or groundwater in 2016. However, several emergency exercises focusing on this topic took place.

Regular monitoring of surface water and groundwater is carried out in power plants. The aim is to monitor a quality and to timely response to any risk of quality deterioration.

At Nástup Tušimice Mines, Severočeské doly successfully utilizes an upgraded treatment plant for water contaminated by coal dust, which saved over 51 thousand cubic meters of surface water in 2016. At Bílina Mines of the same company, stage 2 of capital construction of the Libkovice pumping station was completed.

Bulgaria

No leakage of harmful substances was observed at the Beglik fly-ash disposal site.

Fauna Protection and Support

Czechia

In light of the statutory obligation of ČEZ Distribuce to secure all medium-voltage power lines against bird injuries by 2024, steps to map the overall safety of such lines are being prepared at the moment. The Ministry of Environment of the Czech Republic is expected to release methodology guidelines to ensure the protection of birds from electrocution and that the document will be binding for both nature conservation authorities and distribution system operators.

No increase in bird injuries caused by electrocution or collision with overhead lines was registered during 2016.

CEZ Group places permanent emphasis on environmental care and protection in the vicinity of its sites. Several important natural sites are located in the protection zone of Dukovany Nuclear Power Plant. CEZ Group is their long-term partner. A detailed list of these important natural sites, including further bio-geographical characteristics and a summary of the elements of nature and landscape protection, was supplemented and updated in 2016.

Verifying biological surveys were initiated in 2016 in order to maintain the objective information value of older biological surveys regarding the inventory of important species of plants and animals occurring in the vicinity of the power plant. Interim results confirm a positive state of the environment.

Based on the continuation of activities aimed at improving water quality in the Jihlava River, which is affected by the operation of the Dukovany Nuclear Power Plant, the Quality Model of the Jihlava River upstream of the Dalešice water works was updated. Furthermore, the model was also extended to include a part of the catchment area downstream of the Dalešice water works. These steps provided scope for a possible further effective improvement of the environment. A thriving population of eels was discovered in the constantly flowing and chemically untreated water beneath the cooling towers at the power plant site.

Support for the nesting of the peregrine falcon continued in 2016 at the sites of some coal-fired power plants as well as at the Dukovany Nuclear Power Plant. So far, however, only kestrels have been attracted there. Since the first falcon nest box in the Czech Republic was installed at a cooling tower walkway at the Tušimice Power Plant in 2011, 47 young falcons were reared on tall power plant structures, stacks, and cooling towers. Nesting conditions are also created for sand martins, which are found at the disposal sites of some coal-fired power plants. A large colony of them was discovered at the Stodola site in Tušimice, where protection measures for birds during their nesting season were subsequently implemented. In August 2016, an orientation survey was conducted concerning the population of the critically endangered butterfly species *Hipparchia semele* at a reclaimed waste pond at the Tušimice Power Plant. In order to secure suitable conditions to maintain the population of the species in collaboration with the regional authority and a private farmer, an agreement was reached to experiment with grazing of sheep and goats, which was implemented in November 2016.

Severočeské doly continued installing nesting boxes. Their occupancy rate reached almost 90%. Occurrence of rare bird species in Bílina Mine, such as tawny pipit or northern wheatear, was comparable to previous years. A sharp decrease in the population of observed ortolan buntings corresponds with the development recorded throughout the Czech territory. Amphibian rescues from concentration pools in the quarry forefield of Bílina Mine were repeatedly performed in 2016. A very demanding and successful rescue of the crayfish population from Radčický Creek was carried out after temporarily stopping the flow of water.

Bulgaria

In June, a pilot project in the Kresna Gorge Valley was implemented to eliminate perching of griffon vultures resulting in injuries or deaths by installing spikes.

Romania

Nests for storks were installed on distribution lines. A total of 82 nests were installed in the counties of Mehedinți, Argeș, Teleorman, Dolj, and Vâlcea.

Regular monitoring of dead birds and bats was carried out in the vicinity of wind farms, determining the cause of death. No connection was found with the operation or even the existence of the wind farms in any case.

Germany

Wind farms comply with stringent requirements for the protection of birds and bats, as documented by the study of environmental impacts (EIA). In the first years of operation, monitoring of the actual impact on birds and bats is carried out, and any negative impact will be eliminated by adjusting the operating modes.

Noise Protection

Czechia

Noise sources include power plants and heating plants as well as open-pit mines, especially the operation of turbine-generator units, cooling systems, long-distance belt conveyors, and large-scale mining machinery.

CEZ Group facilities meet hygienic noise limits in accordance with the legislation and conditions of the applicable authorizations. Based on a review concluding that noise was reduced to a reasonably achievable level and did not pose a risk to human health, an exemption from noise limits was granted for the operation of the Vítkovice and Poříčí heating plants.

The construction of a massive protective earth embankment on the edge of the Nástup Tušimice quarry was completed. It is located between the actual mining area and the municipality of Březno u Chomutova. The protective earth embankment with insulating greenery has a total length of 560 m, a maximum height of 14 m, and a rock-fill body volume of approximately 288 thousand cubic meters. Furthermore, a protective embankment was built of straw bales with a length of 750 m.

Bulgaria

CEZ Razpredelenie Bulgaria performed 13 noise measurements in collaboration with local sanitation authorities in Sofia and Pleven. In two cases, it was found that the limits were exceeded. Subsequently, measures were implemented to reduce noise, the effectiveness of which was confirmed by repeated measurements. An official protocol documenting the observance of the noise limits was issued.

Poland

Chorzów and Skawina power plants meet the required noise limits. During the night-time, noise from the Chorzów Power Plant is just below the permitted limit, and therefore at this time the fuel is not transported into the boiler area of the power plant.

Romania

Noise generated by the wind farms is monitored regularly. No violations of noise standards were registered.

Germany

The monitoring of the wind farms confirmed the observation of noise limits.

Consumption and Emissions

CEZ Group Consumption and Emissions in Czechia

	Unit	2015	2016	2016/2015 Index (%)
Total water consumption	Thousands of m ³	532,394	541,876	101.8
Of which: Surface water	Thousands of m ³	532,265	541,769	101.8
Groundwater	Thousands of m ³	128	107	83.0
Emissions and specific emissions of air pollutants				
Particulate matter	Tons	1,760	1,521	86.4
Sulfur dioxide	Tons	33,373	25,337	75.9
Nitrogen oxides	Tons	28,672	25,092	87.5
Carbon monoxide	Tons	5,720	6,602	115.4
Carbon dioxide	Tons	26,028,918	27,666,116	106.3

Changes in CEZ Group Ownership Interests

Year 2016

Czechia

- January 4—ČEZ ESCO, a.s. acquired a 49% stake in ENESA a.s. from EVČ s.r.o.; on January 6, ČEZ ESCO, a.s. acquired a 26% stake in ENESA a.s. from other shareholders; ČEZ ESCO's total stake in ENESA thus reached 75%
- January 12—The contribution of a part of the enterprise, the Vítkovice Heating Plant, increased the stated capital of Energocentrum Vítkovice, a. s. to CZK 57 million
- February 10—ČEZ ESCO, a.s. acquired a 100% stake in juwi s.r.o. (renamed to ČEZ Solární, s.r.o. on March 7), a company providing customers with individualized photovoltaic system installation and maintenance services
- June 22—ČEZ Prodej, s.r.o. purchased a 100% stake in Energie2 Prodej, s.r.o.
- July 1—ČEZ Distribuční služby, s.r.o. sold the “Measurement” part of its enterprise to ČEZ Distribuce, a. s.
- July 7—The ownership of a 100% stake in Energocentrum Vítkovice, a. s. was transferred from ČEZ, a. s. to ČEZ ESCO, a.s.
- July 13—EGI, a.s., owned by ŠKODA PRAHA a.s., ceased to exist
- September 1—ČEZ Nová energetika, a.s., was renamed to Inven Capital, investiční fond, a.s.
- September 5—CEZTel, a.s., v likvidaci (in liquidation) ceased to exist; ČEZ, a. s. owned a 100% stake in the company
- September 30—ČEZ ESCO, a.s. acquired a 100% stake in AZ KLIMA a.s., which owns a 100% stake in AZ VENT s.r.o. and in AZ KLIMA SK, s.r.o.
- October 18—There was an increase in the registered capital of Inven Capital, investiční fond, a.s.; ČEZ, a.s. owns a 99.8% stake in the registered capital, the remaining 0.2% is owned by ČEZ Teplárenská, a.s.
- November 22—ČEZ ESCO, a.s. became the sole shareholder in EVČ s.r.o.
- December 29—ČEZ LDS, s.r.o. was formed, in which ČEZ ESCO, a.s. owns a 51% stake

Ireland

- September 30—CEZ Finance Ireland Ltd. and CEZ International Finance Ireland Ltd. were dissolved. The companies ceased to exist on December 30 after their deletion from the Commercial Register

Cyprus

- February 6—Taidana Limited ceased to exist

Germany

- April 15—ČEZ Nová energetika, a.s. (now Inven Capital, investiční fond, a.s.) acquired a 14.8% stake in tado GmbH
- May 31—CEZ Erneuerbare Energien Beteiligungs GmbH was established; it is wholly owned by CEZ Poland Distribution B.V. registered in the Netherlands
- June 1—CEZ Erneuerbare Energien Verwaltungs GmbH was established; it is wholly owned by CEZ Poland Distribution B.V. registered in the Netherlands
- December 16—The purchase of Windpark Fohren-Linden GmbH & Co. KG was made
- December 21—The purchase of wpd Windparks Luv GmbH, wpd Windparks Lee GmbH, and wpd Windparks Nordwind GmbH was made

Netherlands

- April 8—Dutch company CEZ ESCO Poland B.V. was established; its sole shareholder is CEZ Poland Distribution B.V.
- August 18—A merger of CEZ Silesia B.V. and CEZ Poland Distribution B.V. took place, with CEZ Poland Distribution B.V. becoming the successor company

Poland

- March 31—Baltic Green Construction sp. z o.o. became the 100% owner of A.E. Wind sp. z o.o.
- March 31—The legal form of A.E. Wind sp. z o.o. was changed to joint-stock company (legal form designation: S.A.)
- April 6—Baltic Green IX sp. z o.o. was established; it is wholly owned by Baltic Green Construction sp. z o.o.
- May 12—CEZ ESCO Polska sp. z o.o. was established; it is owned by CEZ ESCO Poland B.V. and CEZ Poland Distribution B.V. registered in the Netherlands
- July 12—Baltic Green X sp. z o.o. was established; it is wholly owned by Baltic Green Construction sp. z o.o.
- August 18—As a result of a merger, the ownership structure in Baltic Green Construction sp. z o.o., CEZ ESCO Polska sp. z o.o. and CEZ Polska sp. z o.o. changed, as the shares of CEZ Silesia B.V. were acquired by CEZ Poland Distribution B.V.
- September 1—Elektrownie Wiatrowe Lubiechowo sp. z o.o., Farma Wiatrowa Leśce sp. z o.o., Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o., Baltic Green IV sp. z o.o., Mega Energy sp. z o.o., and Baltic Green VII sp. z o.o. entered into liquidation

Romania

- February 19—Minor changes were made to the stakes of the existing owners (ČEZ, a. s. and CEZ Poland Distribution B.V.) in Ovidiu Development S.R.L., M.W. Team Invest S.R.L. and Tomis Team S.A.; the companies remain wholly owned by CEZ Group companies
- December 9—The registered capital of Ovidiu Development S.R.L., Tomis Team S.A., M.W. Team Invest S.R.L. was increased; in this context, a slight change in shareholding took place; the companies continue to be 100% owned by CEZ Group

Slovakia

- January 9—JESS Invest, s.r.o. ceased to exist
- November 30—ČEZ, a. s., sold a 24.5% stake in Slovak company CM European Power Slovakia s.r.o.
- December 2—CM European Power International B.V. sold a 51% stake in Slovak company CM European Power Slovakia s. r. o.

United Kingdom

- May 9—ČEZ Nová energetika, a.s., bought a 5.25% stake in Environmental Technologies Fund 2 L.P.

2017 Until the Annual Report Closing Date

Czechia

- January 1—Energie2 Prodej, s.r.o., ceased to exist by a merger with ČEZ Prodej, s.r.o.
- January 2—A 100% stake in Elektrárna Tisová, a.s. was sold

Romania

- January 3—CEZ Distributie S.A. was renamed to Distributie Energie Oltenia S.A.

Litigation and Other Proceedings Involving CEZ Group Companies

Litigation

Czechia

ČEZ, a. s.

1. ČEZ, a. s. registers actions related to the implementation of squeeze-outs:
 - Action seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the litigation, the total additional payment could be up to CZK 1,800 million. The outcome of the proceedings is impossible to predict.
 - Action against ČEZ Teplárenská, a.s. seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in United Energy, a.s. The proceedings are pending before the court of first instance; in January 2015, a decision was made to resume the proceedings after a litigation concerning the nullification of a Shareholders' Meeting was concluded. The possible impact of this action on ČEZ Teplárenská, a.s. or ČEZ, a. s. is impossible to determine at this phase of the proceedings.
2. The receiver appointed to Lignit Hodonín, s.r.o. filed an action against ČEZ, a. s. in August 2010 for damages exceeding CZK 196 million, allegedly resulting from abuse of a dominant position in determining the purchase price of brown coal deliveries and the amount of the maximum discount for faulty performance. ČEZ, a. s. denies the claim in full. At the moment, the receivable is held by Ultra Plus Holding Limited, which acts as the claimant in the proceedings. The outcome of the proceedings is impossible to predict.
3. ČEZ, a. s. and some of its subsidiaries also face 37 litigations initiated by the same claimant, Lesy České republiky, s.p. All the actions have the same grounds, namely a claim for compensation for loss caused by the operations of ČEZ, a. s. and its subsidiaries in forest crops in 1997 and 1999–2014. The oldest action is from 1999 and the latest one is from 2016. The total amount claimed is CZK 500 million plus accessories thereof.
4. In July 2013, Mr. Vladimír Juha filed an action against ČEZ, a. s. with the Municipal Court in Prague, in which (after action extension) he is seeking payment of a total of EUR 4 million with accessories thereof. The receivables in dispute allegedly arose from a consulting services contract made between ČEZ, a. s. and Boston Capital Services Ltd. in connection with the CET Galati project in Romania in 2009. The receivables of Boston Capital Services Ltd. arising from said contract were allegedly assigned to Mr. Juha by an agreement from 2010. Based on Mr. Juha's notice of receivable assignment, the court issued a resolution permitting that Mr. Juha be replaced in the case by the Slovak company M 8 Slovakia, spol. s r. o. The court of first instance dismissed the action in full. M 8 Slovakia, spol. s r. o. filed an appeal. The appellate court dismissed the appeal in February 2017 and confirmed the judgment of the court of first instance.

5. There was a dispute between ČEZ, a. s. and Sokolovská uhelná, právní nástupce, a.s. (SU) over the amount and price of brown coal supplied by SU for ČEZ, a. s., under a long-term purchase contract (valid until coal reserves in SU mines are depleted or until the end of 2027). SU was questioning the validity of said long-term purchase contract, or more precisely the validity of clauses concerning the purchase price and the amount to be supplied, and claimed that ČEZ, a. s. is acting unlawfully when enforcing said contract. ČEZ, a. s. initiated several litigations against SU in connection with the dispute.
 - One litigation heard by the Regional Court in Pilsen is seeking the recovery of unjust enrichment (overpayment) received by SU, amounting to approx. CZK 56 million with accessories thereof.
 - One litigation heard by the District Court in Sokolov is seeking the recovery of unjust enrichment (overpayment) received by SU, amounting to approx. CZK 77 million with accessories thereof.
 - One litigation heard by the District Court in Sokolov is seeking the payment of a contractual penalty amounting to approx. CZK 342 million with accessories thereof.
 - One litigation heard by the District Court in Sokolov is seeking the payment of approx. CZK 207 million with accessories thereof in damages (the litigation was finally terminated in February 2017).
 - One litigation heard by the District Court in Sokolov is seeking the payment of a contractual penalty amounting to approx. CZK 431 million with accessories thereof (the litigation was finally terminated in March 2017).
 - Action filed by SU against ČEZ, a. s. with the District Court in Sokolov claiming approx. CZK 1,054 million with accessories thereof.

During 2016, ČEZ, a. s. and SU concluded an amicable transaction that was settled in early January 2017. The transaction included—among other things—a settlement of the above dispute and related litigations described above, i.e. all these proceedings are now discontinued and it can be assumed that they will be finally terminated, i.e. completed in the first quarter of 2017. In some cases, these litigations have already been terminated. In connection with the above, ČEZ, a. s. was also the subject of proceedings conducted by the Office for the Protection of Competition, which was finally terminated without the imposition of any penalty to ČEZ, a. s. Furthermore, proceedings were also conducted by the Specialized Tax Office, where the case is now in the stage of review by administrative courts.
6. ČEZ, a. s. filed an action against Walo Bertschinger AG, a company having its registered office at Limmatstrasse 73, 8005 Zürich, with the Commercial Court of the Canton of Zurich, Switzerland, in March 2016. The company was a contractor whose work consisted in repairs of the cladding of the upper reservoir of the Dlouhé Stráně Hydropower Plant. The action seeks repair of defects in the work or, if the defects are not remedied under the decision, payment of a monetary amount equal to the value in dispute. The value of the matter in dispute has been calculated as CZK 205 million. The action was delivered to the counterparty, which filed a statement of defense in August 2016, in which it seeks repayment of a bank guarantee exceeding CZK 17 million together with the payment of default interest and the reimbursement of expenses for alleged unjustified claiming of warranty claims amounting to almost CHF 0.4 million, i.e. almost EUR 64 thousand, and more than CZK 1 million together with default interest. The first court hearing, at which procedural issues were dealt with, was held in January 2017. Taking into account the initial stage, the outcome of the proceedings cannot be predicted.
7. In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s., the legal predecessor of ČEZ Teplárenská, a.s., submitted an unsecured receivable for CZK 191 million, consisting of losses arising from failure to pay for electricity, heat, and raw water supplied, and a receivable for nearly CZK 29 million arising from the penalty requested. Both receivables were recognized in review hearings that took place in the first half of 2011. The enterprise of the debtor, PLP a.s., was realized for USD 10 million. The proceeds were rendered to the secured creditor in July 2013. The amount of settlement for ČEZ Teplárenská, a.s., in the insolvency proceedings in question, is still zero. The insolvency proceedings have not yet been completed.
8. In November 2016, ČEZ, a. s. filed an action against ŠKODA JS a.s. for a payment of the amount of CZK 611 million with accessories thereof in damages; the claimed amount represents the portion of the damage incurred by ČEZ, a.s. so far in the form of lost profits due to incorrectly performed radiographic inspections of welded joints in Dukovany Nuclear Power Plant. At the end of 2016, the status of the dispute was that the defendant company was only invited to comment on the action filed. Considering the early stage of the litigation, its outcome is impossible to predict.

ČEZ Distribuce, a. s.

9. In May 2013, ČEZ Distribuce, a. s. was served an action of SPR a.s., seeking payment of CZK 10 million with accessories thereof. The claimant's additional submissions successively increased the amount claimed to approx. CZK 180 million. The claimant deems its claim to be the loss that it allegedly incurred due to a breach of obligations by ČEZ Distribuce, a. s. in relation to the connection of the Dubí Photovoltaic Power Plant to the distribution grid. The case is pending; its outcome is impossible to predict.
10. The following actions seeking the recovery of unjust enrichment consisting of the electricity distribution price component to cover costs associated with electricity support in relation to the local (in-house) consumption that was allegedly incorrectly billed but duly paid by the complainants, have been filed against ČEZ Distribuce, a. s.: in August 2015, action was filed by UNIPETROL RPA, s.r.o. seeking a payment of CZK 303 million with accessories thereof; at the same time action was filed by ArcelorMittal Ostrava a.s. seeking a payment of CZK 394 million with accessories thereof; in March 2016, action was filed by Biocel Paskov a.s. seeking a payment of approx. CZK 100 million with accessories thereof. The claimants believe that they were not supposed to pay the electricity distribution price component to cover costs associated with electricity support from January 1 to October 1, 2013 and that they were billed for said price component without legal title by ČEZ Distribuce, a. s. The proceedings are pending; their outcomes are impossible to predict.
11. In March 2016, ČEZ Distribuce, a. s. filed an action against OTE, a.s. with the District Court for Prague 8, seeking the recovery of unjust enrichment of almost CZK 1,858 million (with accessories thereof) consisting in the electricity distribution price component to cover costs associated with electricity support being incorrectly billed, but duly paid by ČEZ Distribuce, a. s., in relation to local (in-house) electricity consumption in the period of January 1 to October 1, 2013 (hereinafter "Contribution"). The action results from ambiguous regulation in the period in question, as it is not certain whether or not ČEZ Distribuce, a. s. was required to collect the Contribution from its customers (and transfer it to OTE, a.s.). ČEZ Distribuce, a. s. filed the action to prevent the expiration of the period of limitation applicable to the claim. The court of first instance first discontinued the proceedings on grounds of lack of competence claiming that the authority to decide the matter belongs to the Energy Regulatory Office (ERO). The appellate court, however, dismissed this decision on the appeal of ČEZ Distribuce, a. s. The proceedings are therefore pending before the District Court for Prague 8. The outcome of the proceedings is impossible to predict.

12. In September 2016, action was filed by ČEZ Distribuce, a. s., with the District Court in Mladá Boleslav against ŠKO-ENERGO, s.r.o., seeking a payment of the electricity distribution price component to cover costs associated with electricity support in relation to the local (in-house) consumption for the period of April 1 to October 1, 2013 (hereinafter "Contribution"). The amount of the alleged underpayment exceeds CZK 113 million. The action results from ambiguous regulation in the period in question, as it is not certain whether or not ČEZ Distribuce, a. s. was or was not required to collect the Contribution from its customers. To a large extent, it is therefore a mirror dispute to those mentioned above. ČEZ Distribuce, a. s. filed the action to prevent the expiration of the period of limitation applicable to the claim.
13. In November 2016, ČEZ Distribuce, a. s. filed an action against OTE, a.s. with the District Court for Prague 8, seeking the recovery of unjust enrichment of almost CZK 871 million, consisting in the electricity distribution price component to cover costs associated with electricity support being incorrectly billed, but duly paid by ČEZ Distribuce, a. s., in relation to local (in-house) electricity consumption in the period of October 2, to December 31, 2013 (hereinafter "Contribution"). The action results from ambiguous regulation in the period in question, as it is not certain in what amount ČEZ Distribuce, a. s. was required to collect the Contribution from its customers (and transfer it to OTE, a.s.). ČEZ Distribuce, a. s. filed the action to prevent the expiration of the period of limitation applicable to the claim. The case is pending; its outcome is impossible to predict.

ČEZ Prodej, s.r.o.

14. Since June 2010, ČEZ Prodej, s.r.o. has been involved in a litigation with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 805 million in damages. The High Court in Prague as an appellate court decided on the case in its judgment from March 2015 by admitting the claim of ČEZ Prodej, s.r.o. in full, and SŽDC had to pay ČEZ Prodej, s.r.o. the full amount in dispute, including accessories thereof. The ground of the dispute was a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2010, and the resulting loss. However, the case is still pending as SŽDC filed a devolutive appeal with the Supreme Court within the statutory time limit.

15. Since January 2013, ČEZ Prodej, s.r.o. has been involved in a litigation with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 857 million in damages. The ground of the litigation, which is still pending, is a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2011, and the resulting loss. In November 2016, the Municipal Court in Prague upheld the claims in their entirety. The defendant appealed against the decision of the court of first instance.
16. Since March 2012, ČEZ Prodej, s.r.o. has been involved in a litigation with VÍTKOVICE, a.s., heard by the Regional Court in Ostrava, in which it is seeking CZK 386 million in damages as a result of a breach of an electricity supply contract in 2011 and CZK 10 million as a payment for electricity consumed but unpaid for in 2011. The court of first instance dismissed the action for damages in June 2016 and admitted compensation for the electricity supplied of CZK 4 million only. ČEZ Prodej, s.r.o. appealed against the negative part of the judgment; the appeal has not yet been decided.
17. ČEZ Prodej, s.r.o. is involved in a litigation against ACTHERM, spol. s r.o., heard by the District Court for Prague 4, seeking damages exceeding CZK 124 million. The litigation was initiated in April 2016 on the grounds of loss incurred by ČEZ Prodej, s.r.o. due to the actions of the defendant as the operator of the distribution system during the registration of photovoltaic electricity producers Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o. in the market operator's system and the delivery of information on the amount of support paid to the producers to ČEZ Prodej, s.r.o. Based on the proposal by ČEZ Prodej, s.r.o., the court adopted a non-final resolution suspending the proceedings until the completion of the contested administrative proceedings conducted on the basis of the proposal by ČEZ Prodej, s.r.o., filed with ERO against OTE, a.s., seeking a payment of the amount exceeding CZK 124 million as the outstanding difference between the purchase prices paid to Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o., and the purchase prices that were actually reimbursed by OTE, a.s. to ČEZ Prodej, s.r.o. as the mandatory purchasing entity. This administrative procedure conducted by ERO was finally completed in September 2016. Now the court may continue its proceedings.
18. Based on the action filed in November 2016, ČEZ Prodej, s.r.o., is involved in a litigation against OTE, a.s., before the District Court for Prague 8, in which it seeks a payment by OTE, a.s. of an amount exceeding CZK 124 million as the outstanding difference between the purchase prices paid to Saša - Sun s.r.o., Zdeněk - Sun s.r.o., and VT-SUN, s.r.o., and the purchase prices that were actually reimbursed by OTE, a.s. to ČEZ Prodej, s.r.o. as the mandatory purchasing entity, as a result of discrepancy between data about the commissioning of generating facilities provided to ČEZ Prodej, s.r.o. by ACTHERM, spol. s r.o., as the distribution system operator, and the data provided to OTE, a.s. ČEZ Prodej, s.r.o., filed the action seeking the replacement of the resolution of ERO by a court decision, which would order OTE, a.s. to pay the amount exceeding CZK 124 million to ČEZ Prodej, s.r.o. This action follows the finally completed disputed administrative proceedings before the ERO, in which the identical proposal by ČEZ Prodej, s.r.o., against OTE, a.s., seeking a payment of the amount exceeding CZK 124 million was conclusively dismissed in September 2016.

ŠKODA PRAHA Invest s.r.o.

19. In insolvency proceedings against MODŘANY Power, a.s. (MoPo), ŠKODA PRAHA Invest s.r.o. submitted receivables relating to the execution of projects for the construction of a new 660 MW_e unit at the Ledvice Power Plant, the comprehensive renovation of the Prunéřov II Power Plant, and the construction of a new 880 MW_e CCGT unit at the Počerady Power Plant, as well as projects at the Dukovany Nuclear Power Plant. During the review proceedings that took place in March 2016, MoPo and the appointed receiver denied some of the receivables as to both their authenticity and amount. ŠKODA PRAHA Invest s.r.o. filed actions to determine the authenticity and amounts of all of the denied receivables with the Municipal Court in Prague in April 2016. In December 2016, the application as well as the related incidental action were partly withdrawn. Unconditional receivables from contractual penalties for the late delivery of parts of the work totaling to approx. CZK 286 million therefore remain to be submitted in the insolvency proceedings. No decisions on the incidental actions have been taken yet.
20. In connection with the contract for work for the construction of a CCGT facility of 880 MW_e in the Počerady Power Plant, a litigation is pending with MODŘANY Power, a.s., (MoPo) seeking a cancellation of an arbitration award concerning the action of ŠKODA PRAHA Invest s.r.o. seeking a payment exceeding CZK 215 million and the counter-action by MoPo seeking a payment of almost CZK 132 million. In June 2016, ŠKODA Praha Invest s.r.o. appealed against the decision of the court of first instance dismissing the action by ŠKODA PRAHA Invest s.r.o. seeking a cancellation of the arbitration award.

21. In connection with contracts for work concerning piping delivery and installation, made between ŠKODA PRAHA Invest s.r.o. and MODŘANY Power, a.s., (MoPo) under the project of a comprehensive renovation of Prunéřov II Power Plant, the parties are in dispute over MoPo's claims for the reimbursement of the costs of postponing the preliminary acceptance date, totaling approx. CZK 111 million.
22. In connection with contracts for work concerning piping delivery and installation, made between ŠKODA PRAHA Invest s.r.o. and MODŘANY Power, a.s., (MoPo) under the project for the construction of a new 660 MW_e unit at the Ledvice Power Plant, the parties, at a meeting held in June 2015, agreed that they were in dispute over MoPo's claims for the reimbursement of the costs of postponing the preliminary acceptance date, totaling approx. CZK 135 million. MoPo, in its letter dated February 25, 2016, as well as MoPo's receiver, in his letter received by ŠKODA PRAHA Invest s.r.o. on June 6, 2016, disputed the legitimacy of ŠKODA PRAHA Invest s.r.o. cashing and using money from performance bonds (secured by MoPo), totaling approx. CZK 179 million.
23. In insolvency proceedings involving the assets of Chladicí věže Praha, a. s. (CV), ŠKODA PRAHA Invest s.r.o. submitted receivables relating to the execution of the 880 MW_e CCGT Unit project at the Počerady Power Plant. Specifically, there is a conditional receivable arising from potential defects occurring during the warranty period, up to a possible total of CZK 438 million, and ŠKODA PRAHA Invest s.r.o. notified the court that this claim is unconditional in the amount of approx. CZK 21.3 million. Furthermore, there are unconditional receivables arising from liability for defects and/or compensation for loss incurred in remedying defects and from a contractual penalty for default in remedying notified defects, in a total amount exceeding CZK 13 million. Said submitted receivables were denied by the receiver. Therefore, ŠKODA PRAHA Invest s.r.o. filed an action to determine the authenticity and amounts of all of the denied receivables with the Municipal Court in Prague in July 2016. No decision on this action has been taken yet. In addition, ŠKODA PRAHA Invest s.r.o. is claiming its rights arising out of a bank guarantee issued by PPF banka a.s. in an action seeking payment of approx. CZK 43 million, filed with the District Court for Prague 6 in March 2016. No decision on this action has been taken yet.
24. In insolvency proceedings involving the assets of VÍTKOVICE POWER ENGINEERING a.s. (VPE), ŠKODA PRAHA Invest s.r.o. submitted receivables relating to the execution of projects for the construction of a new 660 MW_e unit at the Ledvice Power Plant and the comprehensive renovation of Prunéřov II Power Plant. Specifically, there is a conditional receivable arising from potential defects occurring during the warranty period, up to a possible total of CZK 8,783 million (only in relation to EPR II project). Furthermore, there are unconditional receivables totaling more than CZK 20 million (in relation to the EPR II project) and exceeding CZK 105 million (in relation to a new facility in the Ledvice Power Plant). During a review hearing held in November 2016, VPE and the receiver denied—in relation to the EPR II project—the authenticity and the amounts of the submitted conditional and unconditional receivables totaling almost CZK 8,783 million (i.e. all submitted receivables related to EPR II project, except for unconditional receivables submitted as a result of sublease contracts in the amount exceeding CZK 338 thousand) and at the same time, VPE denied—in relation to the new facility of the Ledvice Power Plant—the authenticity and the amounts of all unconditional receivables exceeding in total CZK 105 million. Therefore, ŠKODA PRAHA Invest s.r.o. filed 4 actions to determine the authenticity and amounts of all of the denied receivables with the Regional Court in Ostrava in December 2016. No decisions on these actions have been taken yet.

Poland

25. In 2009, Agrowind Kończewo sp. z o.o. (AWK) filed an action against seven companies jointly and severally, one of which is Eco-Wind Construction S.A. (EWC), seeking PLN 22,653,583 plus interest in compensation because the companies frustrated the installation of wind turbines and transformer stations on land that the claim alleges was held by AWK. As at December 4, 2012, the claim was increased to a total of PLN 112,712,952 plus interest (approx. CZK 684 million). The litigation can be expected to last for up to several years.

Turkey

26. From 2011 and 2013, respectively, Sakarya Elektrik Dağıtım A.S. (SEDAŞ) and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) filed appeals against the administrative decisions of the Turkish energy market regulatory authority (EPDK) that were the basis for reducing the portion of the companies' operating costs that was automatically recognized in tariffs. The level of SEDAŞ's and SEPAŞ's operating costs is defined by EPDK's decision. The level of both companies' operating costs was gradually reduced by EPDK's decisions, which the companies appealed against and strived to get canceled. On December 18, 2012, one of the disputes was decided by the administrative court in Ankara in favor of SEDAŞ. EPDK appealed against the first instance decision to the Supreme Administrative Court of Turkey. No decision on the appeal has been taken yet. Four disputes were decided by the administrative court in favor of EPDK during 2016. SEPAŞ and SEDAŞ appealed against the first instance decision to the Supreme Administrative Court of Turkey. No decisions on the appeals have been taken yet. The remaining litigation is in the stage of submission of comments.
27. Distribution and sales companies in Turkey are facing litigations concerning a refund of the costs of technical and non-technical losses paid for by the companies' customers. In the case of Sakarya Elektrik Dağıtım A.S. (SEDAŞ) and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) the total amount of currently pending litigations is not material for the companies and thanks to legislation adopted in 2016 it is expected that disputes will be resolved in favor of SEDAŞ and SEPAŞ.
28. In March and May 2016, Sakarya Elektrik Dağıtım A.S. (SEDAŞ) filed three administrative actions, and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) filed two administrative actions against the decisions of the Turkish energy regulatory authority (EPDK) regulating the limits of SEDAŞ's revenue from electricity distribution in the regulatory period of 2016 to 2020, including the method of calculation and application, and regulating the limits of SEPAŞ's revenue from electricity sales and limits of SEPAŞ's costs and expenses in the regulatory period of 2016 to 2020. On March 6, 2017, one of the disputes was decided by the court of first instance partially in favor of SEPAŞ. The period for filing a notice of appeal is currently running.

Romania

29. The majority of disputes that arose in connection with the construction of the Fântânele and Cogeaalac wind farms in Romania have been successfully completed. In August 2016, the wind farm won the most important dispute concerning the ownership of the land under the transformation station. The decision of the appellate court in Constanta is final and not appealable.

Bulgaria

30. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed in 2015 and 2016 against numerous decisions of the regulatory authority—Energy and Water Regulatory Commission (EWRC)—stipulating prices of electricity. Court hearings are underway.
31. CEZ Razpredelenie Bulgaria AD appealed against certain decisions of the regulatory authority stipulating prices of access to the distribution network for producers of electricity from RES purchased at preferential prices, and obligatory compensation to producers of electricity from RES. The decision of the regulatory authority on prices of access to the distribution network for producers of electricity from RES has been annulled by court. The case was returned to the regulatory authority so that a new decision can be made. Further court hearings concerning the stipulation of obligatory compensation for individual producers of electricity from RES are underway.
32. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed against decree No. 1 of April 5, 2013, whereby the regulatory authority stipulated regulated electricity prices. The court revoked parts of Article 10 of said decree as applied for by the companies. The regulatory authority filed an appeal against this decision. By decision dated February 23, 2016 the Supreme Administrative Court finally repealed art. 10(2)(2) and (6) of the Ordinance No. 1 for regulation of the electricity prices related to the lack of recognition of the expenses for balancing and for reactive energy in the electricity prices. The decision of the court has been promulgated in the Official Gazette on March 15, 2016 and is in force. Based on an appeal by EVN in the same case, the Supreme Administrative Court issued a decision that is ambiguous and was promulgated in the Official Gazette on December 16, 2016 and is in force. After a legal analysis of the decision of the Supreme Administrative Court, CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD decided that the billing of reactive energy is possible.
33. Additionally, NEK filed an action against CEZ Razpredelenie Bulgaria AD with the City Court of Sofia in March 2014, seeking payment of BGN 5.9 million (approx. CZK 84 million) for electricity deliveries in 2011 and 2012. CEZ Razpredelenie Bulgaria AD responded by submitting objections to NEK's action. In a closed hearing held on June 1, 2015, the court disallowed NEK's claim and called ESO EAD, the transmission system operator, as the plaintiff instead. The next hearing is scheduled for April 2017.

34. As a result of a regulatory audit of compliance with distribution license conditions in the period of July 1, 2008 to November 30, 2013, conducted by the EWRC, CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions on a breach of obligations, which the company submitted written objections to. On the basis of the objections submitted, CEZ Razpredelenie Bulgaria AD subsequently received 206 penalty decisions issued by the EWRC, claiming BGN 20,000 (approx. CZK 283 thousand) per breach. The company duly appealed against all of the penalty decisions. As at the Annual Report closing date, there are 176 final court decisions: 91 of them confirmed the imposed penalties, and the penalties were paid by the company; 85 of them definitely dismissed the penalties. Other cases are still pending.
35. There were ongoing proceedings on infringements of the Competition Protection Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (cartel agreements consisting in concerted practices and abuse of a dominant position) by ČEZ and other companies in connection with the opening of the electricity market, initiated by the Commission for Protection of Competition (CPC) in 2013. A hearing was held on October 22, 2014 and the CPC requested additional information and documents from CEZ Razpredelenie Bulgaria AD and CEZ Trade Bulgaria EAD in July 2015. The CPC has not taken any further action or issued any decision since that time. In addition, the CPC initiated several other proceedings against CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria in 2015 and 2016, with a maximum possible penalty of up to 10% of its turnover. The proceedings are still pending.
36. On September 17, 2015, the National Energy Company EAD (NEK) brought an action against CEZ Elektro Bulgaria AD on the grounds of its alleged receivable for unpaid electricity from January–February 2014. The amount claimed is BGN 6.4 million (approx. CZK 88.2 million), including penalty interest. CEZ Elektro Bulgaria AD filed an objection to the action for its groundlessness, as it had set off its receivables from the claimant against the claimants' receivables. The court of first instance issued an unclear decision on October 11, 2016. CEZ Elektro Bulgaria AD appealed. The case is still pending.
37. The Commission for Protection against Discrimination has opened the case No. 258/2008 for alleged discrimination based on ethnic origin caused by installing junction boxes at a height of 6–8 meters in some areas, while in other areas at a height of 1–2 meters. On July 16, 2015, the Court of Justice of the European Union in Luxembourg ruled that Anelya Nikolova was discriminated against. The Administrative Court in Sofia has taken the case over. The next court hearing is adjourned to March 27, 2017.

Other Proceedings

Bulgaria

On July 12, 2016, ČEZ, a. s. formally filed a Request for Arbitration with the International Center for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of non-protection of investment of ČEZ, a. s. It decided to do so after a number of interventions by Bulgarian authorities, which—according to its opinion—injured CEZ Group companies' business in Bulgaria and as a result of a long-term, non-improving critical situation in the country's energy market. The claim amounts to hundreds of millions of EUR. ČEZ repeatedly called upon the Bulgarian government to improve the existing situation speedily and compensate incurred losses. It sent the Bulgarian government a Notice of Dispute in November 2015, in which it asked for amicable settlement and reserved the right to commence investment arbitration. Efforts to initiate an amicable settlement with the Bulgarian government have not resulted in any official response by the competent authorities since November 2015. After the deadline for an amicable settlement in May 2016, ČEZ, a. s. formally notified Bulgaria about its intention to initiate international arbitration proceedings.

Czechia

In accordance with the Code of Criminal Procedure, the police authorities—as part of the investigation of possible criminal activity related to obtaining a license to operate Vranovská Ves Photovoltaic Power Plant—issued a resolution to secure a replacement value of the likely proceeds from this criminal activity, specifically:

1. Take control of receivables payable to ČEZ Obnovitelné zdroje, s.r.o. by OTE, a. s. in the form of green bonus support totaling to CZK 382,957,000. While being under police control, the amount in question will be deposited in a bank account at the Czech National Bank and ČEZ Obnovitelné zdroje, s.r.o. cannot dispose with these funds.
2. Take control of funds in a bank account of ČEZ, a. s. totaling to CZK 223,119,059. While being under police control, ČEZ, a. s. cannot dispose with these funds.

In both cases, these are interim protective measures carried out by law enforcement authorities and the accused persons are not employees of CEZ Group companies. In this case, ČEZ Obnovitelné zdroje, s.r.o. and hence ČEZ, a. s. are in a position of a victim.

Energetické centrum

Energetické centrum is the operator of biomass technology in Jindřichův Hradec, where it generates electricity and heat from clean biomass.

The energy center in Jindřichův Hradec generates more than 30 million kWh of environmentally friendly electricity and 130,000 GJ of heat per year

Biomass is combusted at 400 °C

What exactly is biomass and where does it come from? It is mostly cereal and canola straw and grasses in the form of hay. Corn, flax straw, or miscanthus can also be used as fuel. The straw and hay are compacted and delivered as standardized bales. Energetické centrum burns more than 120,000 such bales a year.

Few people know that Energetické centrum was originally a part of Jitka, a textile factory, and served to cover its electricity and heat consumption by burning solely fossil fuel. Later it was rebuilt into a facility using biomass to generate energy. The company sources material for processing from within seventy kilometers. Biomass suppliers are small, private businesses mostly from the Southern Bohemia and Vysočina regions.

The biomass does not undergo any treatment. Its most important qualitative parameter is moisture content. Moisture content depends on weather conditions during the harvest and on the manner of storage.

Basic fuels are straw and hay bales and specifically grown energy crops

Fuel originating from plants is stored in a closed shed

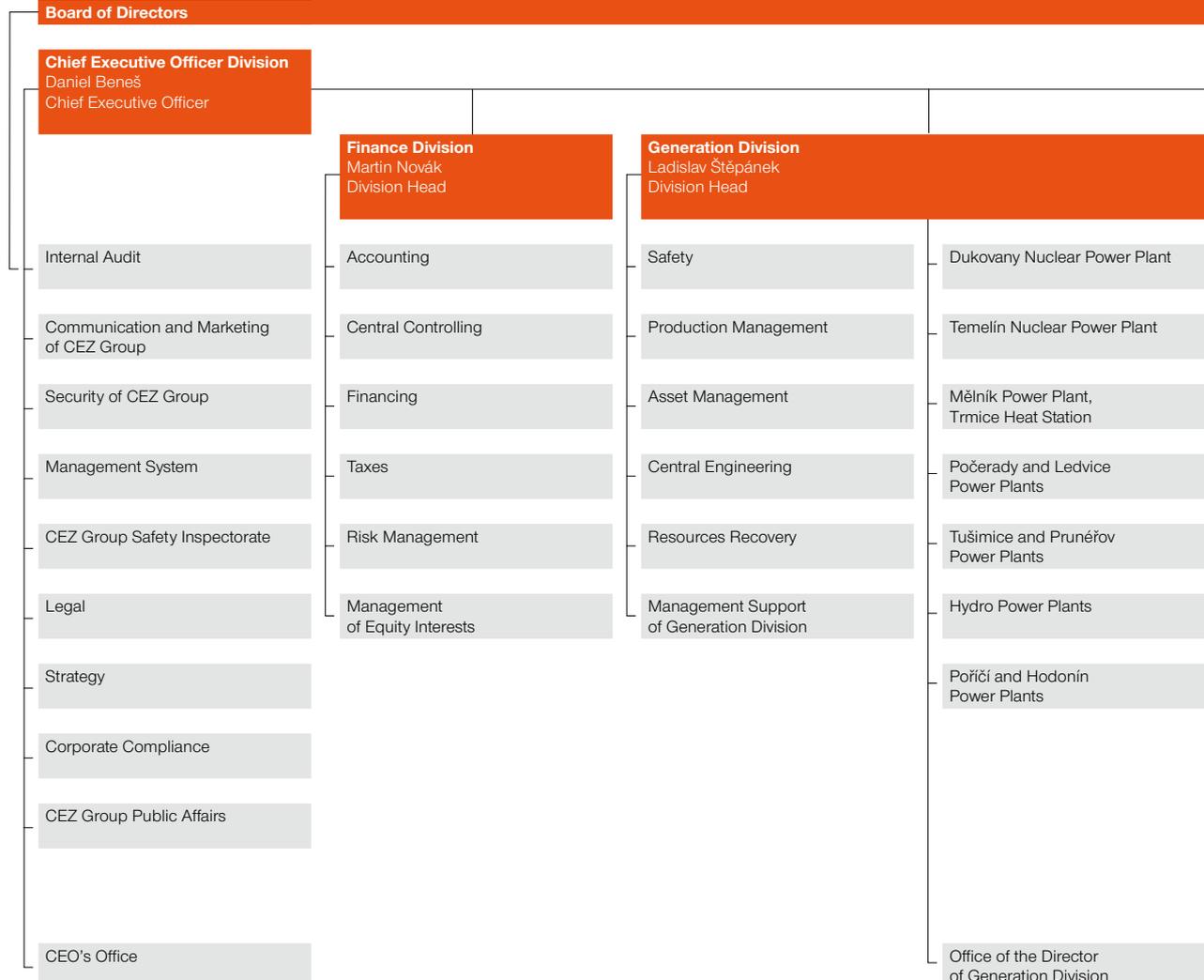
The plant employs more than 40 specialists

Basic Organization Chart of ČEZ, a. s. as at March 16, 2017

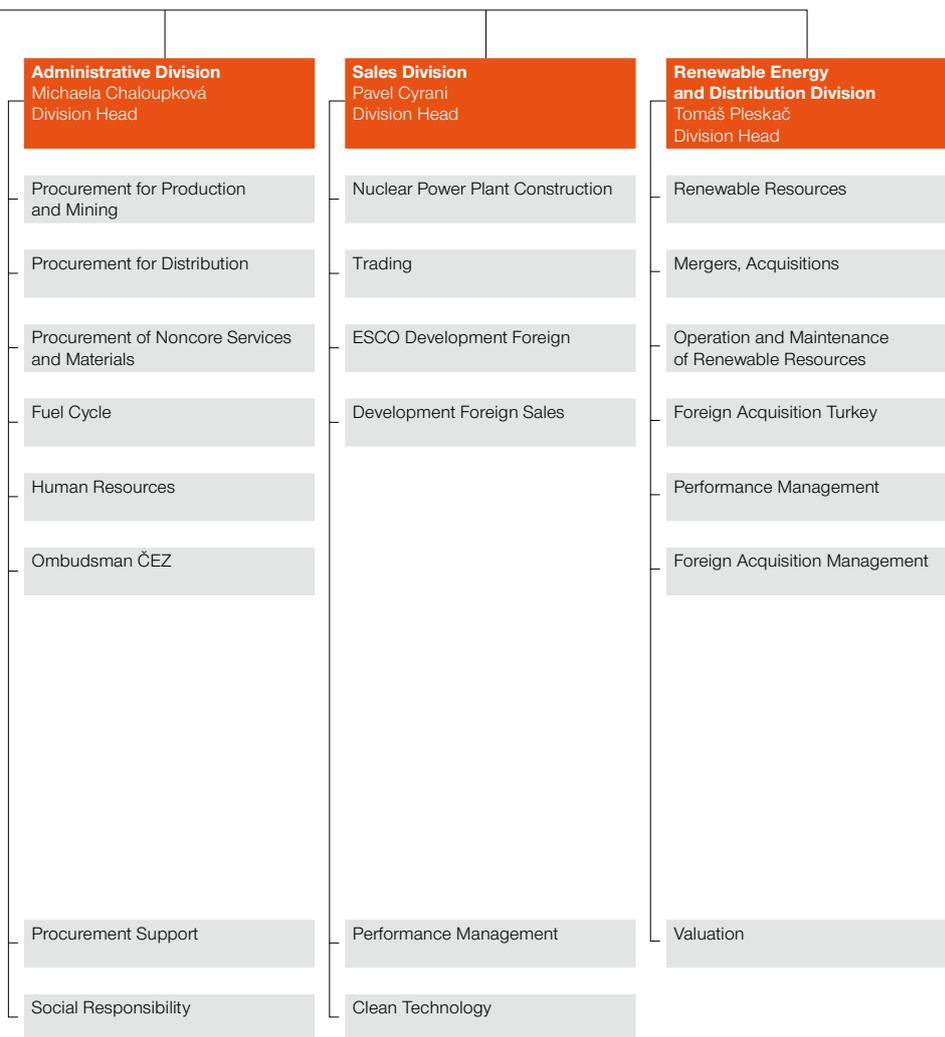
Shareholders' Meeting

Supervisory Board

Board of Directors



Audit Committee



Information for Shareholders and Investors

Financial Calendar		Date
CEZ Group 2016 Annual Report—electronic Czech and English versions		April 19, 2017
CEZ Group 2016 Annual Report—printed Czech version		April 19, 2017
CEZ Group 2016 Annual Report—printed English version		May 2, 2017
CEZ Group non-audited consolidated financial figures for Q1 2017		May 11, 2017
Interim consolidated financial statements		
Press conference		
Conference call (in English)		
ČEZ, a. s. non-audited financial figures for Q1 2017		May 11, 2017
CEZ Group non-audited consolidated financial figures for H1 2017		August 8, 2017
Interim consolidated financial statements		
Press conference		
Conference call (in English)		
ČEZ, a. s. non-audited financial figures for H1 2017		August 8, 2017
CEZ Group 2017 Half-Year Report		August 31, 2017
CEZ Group non-audited consolidated financial figures for Q1–Q3 2017		November 7, 2017
Interim consolidated financial statements		
Press conference		
Conference call (in English)		
ČEZ, a. s. non-audited financial figures for Q1–Q3 2017		November 7, 2017

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Information centers	http://www.cez.cz/cs/o-spolecnosti/kontakty-skupina-cez/informacni-centra.html	
Virtual power plant tours	http://virtualniprohlidky.cez.cz/cez-virtualni-prohlidky/	
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ČEZ Foundation	www.nadacecez.cz	+420 211 046 720

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Mailing address: ČEZ Zákaznické služby, s.r.o. Guldenerova 2577/19 326 00 Plzeň		fax: +420 371 102 008
Customer care line in Czechia—Distribution	info@cezdistribece.cz	+420 800 850 860
Mailing address: ČEZ Distribuce, a. s. Guldenerova 2577/19 326 00 Plzeň		
Customer care line in Bulgaria	zaklienta@cez.bg	0700 10 010 (when calling from Bulgaria) fax: +359 (0)28 959 667
Customer care line in Hungary	sales@cez.hu	+36 1 266 9324 fax: +36 1 266 9331
Customer care line in Romania—Sales	cez_crc@cez.ro	0251 929 (when calling from Romania) fax: 0248 524 834
Mailing address: CEZ Romania S.A. Str. Depozitelor 2 Târgu Jiu, judetul Gorj cod postal 210238		
Customer care line in Romania—Distribution	distributie@distributieoltenia.ro	0800 500 000 0251 408 006
Mailing address: Distributie Oltenia S.A. Str. Depozitelor 2 Târgu Jiu, judetul Gorj cod postal 210238		0251 408 007 0251 408 008
Customer care line in Slovakia	cez@cez.sk	0850 888 444 (when calling from Slovakia)
Web Sales Office	www.cez.cz/cs/sluzby-pro-zakazniky/cez-online.html	
CEZ Group Ombudsman in the Czechia	www.cez.cz/cs/odpovedna-firma/ombudsman.html	No phone contact
Josef Sedlák Mailing address: Ombudsman ČEZ Hvězdova 1716/2b 140 62 Praha 4		
CEZ Group Ombudsman in Bulgaria	www.cez.bg/bg/za-nas/energien-ombudsman/vrazka-ombudsman.html	+359 (0) 28 958 450 fax: +359 (0) 28 959 770
Radoslav Dimitrov Mailing address: Tsarigradsko Shosse 159 1784 Sofie		

Glossary of Selected Terms and Abbreviations

Term	Commentary
CHP	Combined Heat and Power
EIA	Environmental Impact Assessment
EPC	Energy Performance Contracting The EPC method can be described as guaranteeing an anticipated reduction in energy consumption resulting in savings in operating costs used to repay the original investment.
Horizon 2020	European Union Framework Program for Research and Innovation in 2014–2020, defining a framework for EU support of research and innovation activities.
IAEA	International Atomic Energy Agency An independent intergovernmental organization within the United Nations family for science and technology in the peaceful use of nuclear energy in accordance with the Nuclear Non-Proliferation Treaty.
INES	International Nuclear Event Scale An international scale rating the significance of nuclear events. Used since March 1990. Events are rated at seven levels. Events that have no safety significance and are rated at Level 0 (below the scale), are called “deviations.” According to IAEA guidelines, it is not appropriate to use INES to compare safety performance between facilities, operators, or countries. Procedures for notifying the public of the less significant events can differ and it is difficult to ensure uniformity in the assessment of events below the scale, at Level 0, and at Level 1.
NEA	Nuclear Energy Agency An intergovernmental agency that facilitates cooperation among countries with advanced nuclear technology infrastructures to seek excellence in nuclear safety, technology, science, environment, and law.
OECD	Organisation for Economic Co-operation and Development
OTC	Over-the-Counter A term for off-exchange trading in securities and other financial instruments. Trading is done directly between two parties that negotiate the individual terms of each transaction.
OTE	OTE, a.s. It performs the activities of a market operator under a license from the Energy Regulatory Office. It organizes short-term gas and electricity market as well as—in cooperation with the transmission system operator—the balancing market for regulation energy. It evaluates variations between actual and contracted deliveries/consumption of electricity and natural gas for the entire Czech territory and ensures their clearing and settlement at clearing entities.
Public affairs	Strategic and communication influence of companies on decision-making processes in politics or other decision-making entities.
RES	Renewable Energy Sources Energy resources that can be naturally replenished, either partially or in full. They include, in particular, solar, wind, and hydro energy, biomass, and biogas.
SONS	State Office for Nuclear Safety
SUSEN	Sustainable Energy The Sustainable Energy project was approved by the European Commission in December 2011. It boosts research infrastructure in the Czechia’s energy sector and provides a significant stimulus for building up teams and knowledge in energy technologies.

List of Units and Abbreviations Used

Unit	Commentary
Term	Term of office
t	Ton; a unit of measure
TJ	Terajoule; a unit of work (energy)
V	Volt; a unit of electric potential (voltage)
W	Watt; a unit of power
Wh	Watt-hour; a unit of work

With the exception of three chapters of the Annual Report, company names are used without legal form designations. Full names of companies outside of the CEZ Group are listed in the following table. Names of the CEZ Group companies are included in the "Related Parties Report", which forms part of this Annual Report.

Names of Companies Outside of CEZ Group

Name Used (Short)	Full Name According to the Commercial Register
ABArent s. r. o.	ABArent s. r. o.
ABB	ABB s.r.o.
ACTHERM, spol. s r.o.	ACTHERM, spol. s r.o.
AEF ACIMEX ELECTRONICS FULNEK s.r.o.	AEF ACIMEX ELECTRONICS FULNEK s.r.o.
Agrowind Kończewo sp. z o.o.	Agrowind Kończewo sp. z o.o.
AKKÖK	Akkök Holding A.S.
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava a.s.
ARRIVA PRAHA	ARRIVA PRAHA s.r.o.
BD ŘÍČANY s.r.o.	BD ŘÍČANY s.r.o.
Biocel Paskov a.s.	Biocel Paskov a.s.
Boston Capital Services Ltd.	Boston Capital Services Ltd.
Burza cenných papírů Praha, a.s.	Burza cenných papírů Praha, a.s.
Bytové družstvo Vyhlička, družstvo v likvidaci	BYTOVÉ DRUŽSTVO VYHLÍDKA, družstvo v likvidaci
Celostátní služba osobní dozimetrie, s.r.o. /CSOD, s.r.o./	Celostátní služba osobní dozimetrie, s.r.o. /CSOD, s.r.o./
Centrální depozitář cenných papírů, a.s.	Centrální depozitář cenných papírů, a.s.
CGN	China General Nuclear Power Group – 中国广核集团
ConocoPhillips Czech Republic s.r.o.	ConocoPhillips Czech Republic s.r.o.
CP Praha s.r.o., v likvidaci	CP Praha s.r.o., v likvidaci
ČEPS	ČEPS, a.s.
Česká pojišťovna	Česká pojišťovna a.s.
Česká pošta, s.p.	Česká pošta, s.p.
ČESKÁ RAFINÉRSKÁ, a.s.	ČESKÁ RAFINÉRSKÁ, a.s.
Český institut interních auditorů, z.s.	Český institut interních auditorů, z.s.
ČESKÝ TELECOM, a.s.	ČESKÝ TELECOM, a.s.
Dalkia Česká republika, a.s.	Dalkia Česká republika, a.s.
Daňová akademie s.r.o.	Daňová akademie s.r.o. v likvidaci
Deloitte Audit s.r.o.	Deloitte Audit s.r.o.
Denní centrum Barevný svět, o. p. s.	Denní centrum Barevný svět, o. p. s.
DIAMO	DIAMO, státní podnik
Elektrárna Chvaletice	Elektrárna Chvaletice a.s. (newly Sev.en EC, a.s.)
DZD, v.o.s.	DZD, v.o.s.
E.ON	Skupina E.ON
EKO-KOM, a.s.	EKO-KOM, a.s.
ENVINET a.s.	ENVINET a.s.
Ernst & Young Audit, s.r.o.	Ernst & Young Audit, s.r.o.
ESB Elektro, a.s.	ESB Elektro, a.s.
ESB Montáže, a.s.	ESB Montáže, a.s.
ESB Rozvaděče, a.s.	ESB Rozvaděče, a.s.
ESSOX	ESSOX s.r.o.
Expat Support s.r.o.	Expat Support s.r.o.
FVE Vranovská ves	FVE Vranovská ves a.s.
GPW	Giełda Papierów Wartościowych w Warszawie SA
Chemické závody Sokolov, státní podnik	Chemické závody Sokolov, státní podnik
Chladicí věže Praha, a. s.	Chladicí věže Praha, a. s.
i4wifi a.s.	i4wifi a.s.

Name Used (Short)	Full Name According to the Commercial Register
IFRE a.s.	IFRE a.s.
IFRE FJ s.r.o.	IFRE FJ s.r.o.
IFRE INDUSTRY a.s.	IFRE INDUSTRY a.s.
IP Exit, a.s.	IP Exit, a.s.
i-Tech Capital, a.s.	i-Tech Capital, a.s.
Jastrzębska Spółka Węglowa S.A.	Jastrzębska Spółka Węglowa S.A.
juwi s.r.o.	juwi s.r.o.
Katowicki Holding Węglowy S.A.	Katowicki Holding Węglowy S.A.
KHNP	KHNP (Korea Hydro & Nuclear Power Co., Ltd.) – 한국수력원자력
Kompania Węglowa S.A.	Kompania Węglowa S.A.
KORLEA INVEST, a.s., organizační složka	KORLEA INVEST, a.s., organizační složka
KOTOUČ ŠTRAMBERK	KOTOUČ ŠTRAMBERK, spol. s r. o.
KPMG Česká republika, s.r.o.	KPMG Česká republika, s.r.o.
KPMG Česká republika Audit, s.r.o.	KPMG Česká republika Audit, s.r.o.
Krkonošské vápenky Kunčice	Krkonošské vápenky Kunčice , a.s.
KSV,s.r.o.	KSV,s.r.o.
Lesy České republiky, s.p.	Lesy České republiky, s.p.
Lignit Hodonín, s.r.o.	Lignit Hodonín, s.r.o.
Loyalty Consulting s.r.o.	Loyalty Consulting s.r.o.
M 8 Slovakia, spol. s r. o.	M 8 Slovakia, spol. s r. o.
McKinsey & Company	McKinsey & Company Group
Mitteldeutsche Braunkohlengesellschaft mbH	Mitteldeutsche Braunkohlengesellschaft mbH
MODŘANY Power, a.s.	MODŘANY Power, a.s.
MOL Nyrt.	MOL Nyrt.
Moody's Investors Service Ltd.	Moody's Investors Service Ltd.
Moravská energetická a.s.	Moravská energetická a.s.
MPEC (Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. w Bielsku Podlaskim)	MPEC (Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A. w Bielsku Podlaskim)
NADACE HANUŠE GOLDSCHIEDERA PRO ČESKÝ GOLF	NADACE HANUŠE GOLDSCHIEDERA PRO ČESKÝ GOLF
NUVIA a.s.	NUVIA a.s.
O2 Czech Republic a.s.	O2 Czech Republic a.s.
OKD	OKD, a.s. (Note: in bankruptcy)
OKTE	OKTE, a.s.
Olife Corporation, a.s.	Olife Corporation, a.s.
OTE	OTE, a.s.
P77 s.r.o.	P77 s.r.o.
PASKI CLUB, v.o.s.	PASKI CLUB, v.o.s.
PASSERINVEST GROUP	PASSERINVEST GROUP, a.s.
Perálec 77, s.r.o.	Perálec 77, s.r.o.

Name Used (Short)	Full Name According to the Commercial Register
PG SILESIA Sp. z o.o.	PG SILESIA Sp. z o.o. (Przedsiębiorstwo Górnicze „SILESIA“ Sp. z o.o.)
pinn partners s.r.o.	pinn partners s.r.o.
PLP a.s.	PLP a.s.
Pražská teplárenská	Pražská teplárenská a.s.
První energetická a.s.	První energetická a.s.
ROSATOM	“Rosatom” State Atomic Energy Corporation—Государственная корпорация по атомной энергии «Росатом»
Saša - Sun s.r.o.	Saša - Sun s.r.o.
SEPS	Slovenská elektrizačná prenosová sústava, a.s.
Slovenské elektrárne	Slovenské elektrárne, a.s.
Slovnaft	SLOVNAFT, a.s.
Sokolovská uhelná	Sokolovská uhelná, právní nástupce, a.s.
sonnen	sonnen GmbH
SPP - distribúcia	SPP - distribúcia , a.s.
SPR a.s.	SPR a.s.
SŽDC	Správa železniční dopravní cesty, státní organizace
Standard & Poor's Credit Market Services Europe Limited	Standard & Poor's Credit Market Services Europe Limited
STAR Research & Innovation Cluster, z. ú.	STAR Research & Innovation Cluster, z. ú.
Stratego Invest a.s.	Stratego Invest a.s.
SunFire	SunFire GmbH
ŠKODA JS	ŠKODA JS a.s.
TVEL	TVEL Joint-Stock Company—акционерное общество «ТВЭЛ»
Ultra Plus Holding Limited	Ultra Plus Holding Limited
UNIPETROL, a.s.	UNIPETROL, a.s.
UNIPETROL RPA, s.r.o.	UNIPETROL RPA, s.r.o.
United Energy, a.s.	United Energy, a.s.
Vápenka Čertovy schody	Vápenka Čertovy schody a.s.
VÁPENKA VITOŠOV	VÁPENKA VITOŠOV s.r.o.
Veolia Energie ČR, a.s.	Veolia Energie ČR, a.s.
VÍTKOVICE, a.s.	VÍTKOVICE, a.s.
VÍTKOVICE POWER ENGINEERING a.s.	VÍTKOVICE POWER ENGINEERING a.s.
Vršanská uhelná	Vršanská uhelná a.s.
VT-SUN, s.r.o.	VT-SUN, s.r.o.
Walo Bertschinger AG	Walo Bertschinger AG
Westinghouse	Westinghouse Group
wpd onshore GmbH & Co. KG	wpd onshore GmbH & Co. KG
Zdeněk - Sun s.r.o.	Zdeněk - Sun s.r.o.

Totals and subtotals in this Annual Report can differ from the sum of partial values due to rounding.

Methods Used to Calculate Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard in IFRS statements or the components of which are not directly available from standardized statements (financial statements). Such indicators represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Net Debt	
Purpose:	The indicator shows the real level of a company's financial debt, i.e. the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the company. The indicator is primarily used to assess the overall appropriateness of the company's debt, for example, in comparison with selected corporate profit or balance sheet indicators.
Definition:	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans - (Cash and Cash Equivalents + Highly Liquid Financial Assets).
Adjusted Net Income (After-Tax Income, Adjusted)	
Purpose:	This is a supporting indicator, intended primarily for investors, creditors, and shareholders, that allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.
Definition:	Net Income (After-Tax Income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets including goodwill +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/- effects of the above on income tax. Definition change from the last published version of November 8, 2016 (included in Q1–Q3 2016 results): adjustment for profit/loss from sale of subsidiaries was removed from the definition because of CEZ Group's development strategy.
Dividend per Share (Gross)	
Purpose:	The indicator expresses a shareholder's right to the payment of a share in a joint-stock company's profits (usually for the past year) corresponding to the holding of one share. The subsequent payment of the share in profits is usually subject to taxes, which may be different for different shareholders; therefore, the value before taxes is reported.
Definition:	Dividend awarded in the current year, before taxes, per outstanding share (paid in the reported year from the profits of prior periods).
EBITDA (EBIT Before Depreciation and Amortization, Impairments, and Asset Sales)	
Purpose:	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the company's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
Definition:	Earnings Before Taxes and Other Expenses and Revenues + Depreciation and Amortization +/- Impairments of Property, Plant, and Equipment and Intangible Assets Including Goodwill (including Write-Off of Canceled Investments) + Sales of Property, Plant, and Equipment and Intangible Assets.
Net Debt / EBITDA	
Purpose:	This indicates a company's capability to decrease and pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.
Definition:	Net Debt / EBITDA. The value for the past 12 months is used for EBITDA; the amount at the end of the period, i.e. at December 31 of the period in question, is used for Net Debt.

Return on Invested Capital (ROIC)	
Purpose:	This shows the level of appreciation of capital invested in a company's core business. It is used to compare rates of return among similar companies within an industry.
Definition:	$EBIT \times (1 - \text{Corporate Income Tax Rate}) / \text{Average Invested Capital}$. An average value calculated from the value of the current period and the value of the period 12 months ago, i.e., the average value at December 31, is used for Invested Capital.
Invested Capital	
Definition:	Property, Plant, and Equipment, Nuclear Fuel, and Construction Work in Progress + Noncurrent Intangible Assets + Net Working Capital.
Net Working Capital	
Definition:	Current Assets - Cash and Cash Equivalents - Current Liabilities + Short-Term Loans + Current Portion of Long-Term Debt + Provisions within Current Liabilities.
Return on Assets (ROA), Net	
Purpose:	This shows how efficiently assets are used to generate profits. It serves for comparing profitability among companies with similar size and products.
Definition:	Earnings After Taxes / Average Total Assets. The value for the past 12 months is used for Earnings After Taxes. An average value calculated from the value of the current period and the value of the period 12 months ago, i.e., the average value at December 31, is used for Assets.
Note:	Published only for ČEZ, a. s.
Return on Equity (ROE), Net	
Purpose:	This indicator is the ratio of generated income to shareholders' capital invested in a company. It allows investors to compare the appreciation of their investment (ROE achieved in a prior period) to their expectations.
Definition:	Earnings After Taxes Attributable to Parent Company Shareholders / Average Equity Attributable to Parent Company Shareholders. The value for the past 12 months is used for Earnings After Taxes. An average value calculated from the value of the current period and the value of the period 12 months ago, i.e., the average value at December 31, is used for Equity.
Note:	For ČEZ, a. s., Earnings After Taxes are used in the numerator and Equity is used in the denominator.

Most of the components used in the calculation of individual indicators are directly shown in financial statements. The components of calculations that are not included in the financial statements are usually shown directly in a company's books and are defined as follows:

Net Debt Indicator—Highly Liquid Financial Assets Item (CZK Millions)

	As at Dec 31, 2015	As at Dec 31, 2016
Short-term equity securities available for sale	946	–
Short-term debt securities available for sale	–	7
Short-term debt securities held to maturity	3,852	2,945
Short-term deposits	7,315	2,040
Long-term deposits	–	500
Long-term debt securities available for sale	676	4,646
Highly liquid financial assets, total	12,789	10,138

Adjusted Net Income Indicator—Individual Components

Adjusted Net Income (After-Tax Income, Adjusted)	Unit	2015	2016
Net income	CZK millions	20,547	14,575
Impairments of property, plant, and equipment and intangible assets including goodwill	CZK millions	7,685	3,114
Impairments of developed projects ¹⁾	CZK millions	9	671
Impairments of property, plant, and equipment and intangible assets including goodwill at associates and joint ventures ²⁾	CZK millions	–	1,312
Effects of the additions to or reversals of impairments on income tax ³⁾	CZK millions	(576)	(32)
Other extraordinary effects	CZK millions	–	–
Adjusted net income	CZK millions	27,666	19,640

¹⁾ Included in the row Other operating expenses (impairments of inventories) in the Consolidated Statement of Income.

²⁾ Included in the row Share of profit (loss) from joint ventures in the Consolidated Statement of Income.

³⁾ Included in the row Income taxes (deferred tax) in the Consolidated Statement of Income.

Report on Relations Between the Controlling Entity and the Controlled Entity and Between the Controlled Entity and Entities Controlled by the Same Controlling Entity for the Accounting Period of 2016

The Board of Directors of ČEZ, a. s., ID No. 45274649, having its registered office at Prague 4, Duhová 2/1444, postcode 140 53, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 1581, has prepared the following report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity (the "Related Parties Report") within the meaning of Section 82 of Act No. 90/2012 Sb., on business corporations, for the accounting period of January 1, 2016 through December 31, 2016 (the "relevant period").

1. Structure of Relations Between the Controlling Entity and the Controlled Entity and Between the Controlled Entity and Entities Controlled by the Same Controlling Entity

Controlled entity and author of the Related Parties Report:

ČEZ, a. s.	
ID No.:	45274649
Registered office:	Prague 4, Duhová 2/1444, postcode 140 53
Registered in the Commercial Register	kept by the Municipal Court in Prague, Section B, File 1581

Controlling entity:

Czech Republic—Ministry of Finance	
Name:	Ministry of Finance of the Czech Republic
ID No.:	00006947
Registered office:	Prague 1, Letenská 525/15, postcode 118 10

As at December 31, 2016, the controlling entity owned shares of stock corresponding to a 69.78% share in the stated capital of ČEZ, a. s.

Entities controlled and managed by ČEZ, a. s.:

ČEZ, a. s. is the controlling entity of companies belonging to CEZ Group. CEZ Group includes the CEZ Concern, which is headed by ČEZ, a. s. as the managing entity and the members of which were the following managed entities in 2016: ČEZ Distribuce, a. s. (with effect from August 1, 2016); ČEZ Distribuční služby, s.r.o.; ČEZ Energetické produkty, s.r.o.; ČEZ Energetické služby, s.r.o.; ČEZ ESCO, a.s.; ČEZ ICT Services, a. s.; ČEZ Obnovitelné zdroje, s.r.o.; ČEZ Prodej, s.r.o.; ČEZ Korporátní služby, s.r.o.; ČEZ Teplárenská, a.s.; ČEZ Zákaznické služby, s.r.o.; Elektrárna Dětmarovice, a.s.; Elektrárna Počerady, a.s.; ČEZ Bohunice a.s.; ČEZ ENERGOSERVIS spol. s r.o.; Energetické centrum s.r.o.; Energotrans, a.s.; Elektrárna Dukovany II, a. s. (with effect from November 1, 2016); Elektrárna Mělník III, a. s.; Elektrárna Temelín II, a. s. (with effect from November 1, 2016); Elektrárna Tisová, a.s.; Telco Pro Services, a. s.; Areál Třeboradice, a.s.; Inven Capital, investiční fond, a.s. (with effect until October 31, 2016); Severočeské doly a.s.; PRODECO, a.s.; SD - Kolejová doprava, a.s.; Revitrans, a.s.; ČEZ Inženýring, s.r.o.; MARTIA a.s.; and Energocentrum Vítkovice, a. s. Elektrárna Tisová, a.s. was removed from the CEZ Concern with effect from January 2, 2017.

ČEZ Distribuce, a. s. and ČEZ Energetické služby, s.r.o. are subjected to concern management in full compliance with all requirements of unbundling rules resulting from the Energy Act and Directive 2009/72/EC of the European Parliament and of the Council.

Other entities controlled by the same controlling entity:

Based on information provided to the Company by the Ministry of Finance of the Czech Republic, the ČEZ, a. s. Board of Directors has prepared a diagram showing the structure of relations between entities controlled by the same controlling entity, which also shows the structure of entities controlled and/or managed by ČEZ, a. s.

The diagram showing the structure of relations in the group of businesses controlled by the Ministry of Finance of the Czech Republic constitutes Annex 1 to the Related Parties Report. An alphabetical list of the companies included in the diagram constitutes Annex 2 to the Related Parties Report.

2. Role of the Controlled Entity

ČEZ, a. s. is the parent company of CEZ Group. The core business as well as the role of companies within CEZ Group is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. ČEZ, a. s. is a crucial state-controlled energy company. Its primary role is to ensure safe and reliable fulfillment of the energy needs of its customers and society at large.

ČEZ, a. s. also intermediates the controlling entity's control over the other companies within CEZ Group.

3. Method and Means of Control

The Czech Republic—Ministry of Finance controls ČEZ, a. s. by being its majority shareholder and thus holding a majority share in voting rights. Because of its share in voting rights, the Czech Republic—Ministry of Finance can enforce the appointment or removal of most members of the supervisory and/or statutory governing body of the controlled entity.

4. List of Acts Pursuant to Section 82(2)(d) of Act No. 90/2012 Sb., on Business Corporations

In the relevant period, ČEZ, a. s. did not perform any acts that would have been performed at the instigation or in the interest of the controlling entity or entities controlled by it and concerned assets exceeding 10% of the equity of ČEZ, a. s. as identified by its latest financial statements.

5. List of Mutual Contracts

The Board of Directors of ČEZ, a. s. has prepared a list of mutual contracts¹⁾ effective between ČEZ, a. s. and the controlling entity and other entities controlled by the same controlling entity in 2016, which constitutes Annex 3 to the Related Parties Report. The list does not include further details on contractual relations in order to keep trade secrets and meet the contractual obligation of confidentiality of information.

¹⁾ Each contract is defined by its name, date of contract and/or contract number, and the subject matter of the contract if not identified by the name of the contract.

6. Assessment of Whether the Controlled Entity Incurred a Loss and Assessment of Its Settlement Pursuant to Sections 71 and 72 of Act No. 90/2012 Sb., on Business Corporations

All described contractual relations were established under standard contractual terms and conditions when the agreed and provided performance or consideration corresponded to the conditions of a standard business relation, and ČEZ, a. s. did not incur any related loss that should be settled pursuant to Sections 71 and 72 of Act 90/2012 Sb., on business corporations.

7. Conclusion

Based on available information, the Board of Directors of ČEZ, a. s. assessed the advantages and disadvantages arising from the position of ČEZ, a. s. as described above and came to the conclusion that ČEZ, a. s. did not derive any special advantages and/or disadvantages or risks from its position, especially with respect to minimum links with other entities controlled by the Czech Republic—Ministry of Finance due to their significantly different core business. After careful consideration, the Board of Directors of ČEZ, a. s. declares that it is not aware of any risks resulting from relations between the above entities against which standard safeguards would not be in place.

The Related Parties Report was prepared on the basis of all information available. In spite of reasonably made efforts that may be fairly expected from the author, the companies listed below did not provide requested information:

CENTRUM - F, a.s. v likvidaci (company ceased to exist on January 21, 2016)

HOLDING KLADNO a.s. "v likvidaci" (company in liquidation)

Ormlk, a.s.v likvidaci (company in liquidation)

Severočeské mlékárny, a.s. Teplice

STROJÍRNY TATRA PRAHA,a.s.v likvidaci (company in liquidation)

The Related Parties Report was submitted to the Supervisory Board of ČEZ, a. s. for review within the meaning of Section 83(1) of Act No. 90/2012 Sb., on business corporations.

Annexes:

1. Relation Structure Diagram in 2016 (see insert under back cover flap)
2. Alphabetical List of Companies in 2016 (see insert under back cover flap)
3. List of Mutual Contracts

Annex 3 List of Mutual Contracts

Company Name (Contracting Party)	Agreement File Number	Agreement Name
A.E. Wind S.A.	2012/4	Loan Facility Agreement of 3/9/2012
A.E. Wind S.A.	2015/2	Loan Facility Agreement of 4/16/2015
Akcez Enerji A.Ş.	5600004321	Framework Agreement on the Provision and Coordination of Services of 7/1/2013
Akcez Enerji A.Ş.	5600004322	Individual Agreement on the Provision of Services No. I of 7/1/2013
Akcez Enerji A.Ş.	5600004323	Individual Agreement on the Provision of Services No. II of 7/1/2013
Akcez Enerji A.Ş.		Compensation Agreement of 5/20/2016 (Agreement Subject: Reward for Provided Guarantee)
Akcez Enerji A.Ş.		Compensation Agreement of 12/6/2010 (Agreement Subject: Reward for Provided Guarantee)
Akenerji Elektrik Üretim A.Ş.	4100503098	Lease Agreement for Non-Residential Facilities of 2/28/2011
Akenerji Elektrik Üretim A.Ş.	5600001690	Framework Agreement on the Provision and Coordination of Services of 5/10/2010
Akenerji Elektrik Üretim A.Ş.	5600001691	Individual Agreement on the Provision of Services No. I of 5/10/2010
Akenerji Elektrik Üretim A.Ş.	5600001692	Individual Agreement on the Provision of Services No. II of 5/10/2010
Areál Třeboradice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 8/23/2013
Areál Třeboradice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
AZ KLIMA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 10/17/2016
AZ KLIMA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 11/21/2016
Baltic Green Construction sp. z o.o.	4/2015	Loan Facility Agreement of 8/20/2015
Baltic Green VII sp. z o.o. w likwidacji	2015/3	Loan Facility Agreement of 4/16/2015
Bara Group EOOD	5600005110	The Agreement on the Provision of Advisory Services of 7/1/2014 (Agreement Subject: Advisory Services in Connection with the Biomass Power Plant Construction)
Centrum výzkumu Řež s.r.o.	4101471046	Contract for Work – Completion of 3D Blade Scans of 2 Turbines
Centrum výzkumu Řež s.r.o.	4400029974	Contract for Work – Gamma Radiation Field Monitoring
Centrum výzkumu Řež s.r.o.	4400033942	Contract for Work – TOC Elimination (Total Organic Carbon) from Technological Media
Centrum výzkumu Řež s.r.o.	4400034251	Agreement on the Provision of Technical Assistance During Troubleshooting
Centrum výzkumu Řež s.r.o.	4400034590	Agreement on the Provision of Technical Assistance During Troubleshooting
Centrum výzkumu Řež s.r.o.	4400036055	Contract for Work – UV System Microbiological Measuring
Centrum výzkumu Řež s.r.o.	4400036427	Agreement on the Provision of Technical Assistance During Troubleshooting
Centrum výzkumu Řež s.r.o.		Agreement on the Provision of Services of 7/22/2016
CEZ Bulgaria EAD	HS30023140	Framework Agreement on the Provision and Coordination of Services of 6/25/2007
CEZ Bulgaria EAD	HS30023141	Individual Agreement on the Provision of Services No. I of 6/25/2007
CEZ Bulgaria EAD	5600002751	Individual Agreement on the Provision of Services No. II of 12/1/2011
CEZ Bulgaria EAD	5600004400	Individual Agreement on the Provision of Services No. III of 6/25/2007
CEZ Bulgaria EAD	5600007241	Individual Agreement on the Provision of Services No. IV of 6/25/2007
CEZ Bulgaria EAD	5600005111	Individual Agreement on the Provision of Services No. V of 12/3/2007
CEZ Bulgaria EAD	4100012667	Individual Agreement on the Provision of Services No. VI of 12/10/2008
CEZ Bulgaria EAD	4100088819	Individual Agreement on the Provision of Services No. VII of 11/5/2010
CEZ Bulgaria EAD	4101263303	Agreement on the Provision of Legal Services of 11/9/2015
CEZ Bulgaria EAD	4101313450	Agreement on the Provision of Advisory Services (Agreement Subject: Representation Among the Bulgarian Administrative Bodies)
CEZ Bulgarian Investments B.V.		Agreement on Provision of Services of 12/20/2011
CEZ Bulgarian Investments B.V.		The Mutual Credit Facility Agreement of 3/1/2011
CEZ Deutschland GmbH	2012/8	Loan Facility Agreement
CEZ Erneuerbare Energien Beteiligungs GmbH		The Mutual Credit Facility Agreement of 6/29/2016
CEZ Erneuerbare Energien Verwaltungs GmbH		The Mutual Credit Facility Agreement of 6/29/2016
CEZ ESCO Poland B.V.		The Mutual Credit Facility Agreement of 6/20/2016
CEZ Hungary Ltd.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 6/1/2006
CEZ Hungary Ltd.		ISDA 2002 Master Agreement of 9/30/2013
CEZ Hungary Ltd.		EECS Certificates Master Agreement (EFET) of 10/15/2014
CEZ Hungary Ltd.		Full Electricity Supply Agreement of 10/15/2009
CEZ Hungary Ltd.	4100060555	Agreement on the Provision of Services of 6/10/2008 (ICT Services)
CEZ Hungary Ltd.	5600004735	Agreement on the Provision of Services of 12/20/2013 (Trading Services)
CEZ Hungary Ltd.		Agreement on the Provision of Services in Connection with Power Wholesale Trading in Hungary of 4/14/2010
CEZ Hungary Ltd.		Profit Sharing Agreement of 12/30/2016 (Origin Guarantees)
CEZ Hungary Ltd.		License Agreement of 12/30/2014
CEZ Hungary Ltd.		The Mutual Credit Facility Agreement of 2/1/2010
CEZ Hungary Ltd.		Agreement on the Issuance of Guarantees of 8/30/2006
CEZ Chorzów S.A.	XVIII/857	General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 11/30/2006
CEZ Chorzów S.A.	ELC/U/13/000022	Agreement on the Provision of Services in Connection to Wholesale Electricity Trading in Poland of 10/30/2013

Company Name (Contracting Party)	Agreement File Number	Agreement Name
CEZ Chorzów S.A.		Allowances Appendix to the General Agreement Concerning the Power Supply and Consumption (EFET) of 11/30/2006
CEZ ICT Bulgaria EAD	HS30031716	Individual Agreement on the Provision of Services No. V of 12/15/2015
CEZ International Finance B.V.		Agreement on Provision of Services of 12/23/2011
CEZ International Finance B.V.		The Mutual Credit Facility Agreement of 2/25/2010 (Agreement Subject: Mutual Credit Facilities, Cash-Pool)
CEZ International Finance Ireland Ltd.		The Mutual Credit Facility Agreement of 10/26/2011 (Agreement Subject: Mutual Credit Facilities, Cash-Pool)
CEZ International Finance Ireland Ltd.		Agreement on Provision of Services of 12/23/2012
CEZ MH B.V.		Agreement on Provision of Services of 12/27/2011
CEZ MH B.V.		The Mutual Credit Facility Agreement of 2/25/2010 (Agreement Subject: Mutual Credit Facilities, Cash-Pool)
CEZ MH B.V.	2014/1	Loan Facility Agreement
CEZ Poland Distribution B.V.		Agreement on Provision of Advisory Services of 12/29/2014
CEZ Poland Distribution B.V.		The Mutual Credit Facility Agreement of 2/25/2010 (Agreement Subject: Mutual Credit Facilities, Cash-Pool)
CEZ Poland Distribution B.V.	2016/5	Loan Facility Agreement
CEZ Poland Distribution B.V.		Agreement on Provision of Services of 12/23/2011
CEZ Polska sp. z o.o.	HS30034973/ 5600000350	Framework Agreement on the Provision and Coordination of Services of 12/19/2007
CEZ Polska sp. z o.o.	HS30034975/ 5600000351	Individual Agreement on the Provision of Services No. I of 12/21/2007
CEZ Polska sp. z o.o.	5600007223	New Individual Agreement on the Provision of Services No. I of 1/1/2016
CEZ Polska sp. z o.o.	HS30023143/ 560006086	Individual Agreement on the Provision of Services No. III of 9/22/2009
CEZ Polska sp. z o.o.	CP/U/14/000026/ 4101335011	Lease Agreement for Non-Residential Facilities of 4/16/2014
CEZ Polska sp. z o.o.	5600005695	Agreement on Advisory Services in the Wind Project Area of 4/3/2015
CEZ Polska sp. z o.o.		The Mutual Credit Facility Agreement of 11/24/2011
CEZ Romania S.A.	HS30025510/ 5600001690	Framework Agreement on the Provision and Coordination of Services of 8/20/2007
CEZ Romania S.A.	HS30025518	Individual Agreement on the Provision of Services No. I of 8/21/2007
CEZ Romania S.A.	HS30025524	Individual Agreement on the Provision of Services No. II of 8/22/2007
CEZ Romania S.A.	HS30043446/ 5600005086	Amendment No. 6 to the Individual Agreement on the Provision of Services No. III of 11/7/2016 (Agreement Subject: Provision of IT Services)
CEZ Romania S.A.	4100020296	Agreement on the Provision of Services (Agreement Subject: GPS Lease)
CEZ Romania S.A.		The Mutual Credit Facility Agreement of 2/25/2010
CEZ Silesia B.V.		Agreement on Provision of Services of 12/27/2011
CEZ Silesia B.V.		The Mutual Credit Facility Agreement of 2/25/2010
CEZ Skawina S.A.	1012/2006	General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 7/1/2006
CEZ Skawina S.A.	1012/2006	Allowances Appendix to the General Agreement Concerning the Power Supply and Consumption (EFET) of 7/1/2006
CEZ Skawina S.A.		Framework Sales Agreement of 11/28/2008
CEZ Skawina S.A.	SK/00135/02033/11	Agreement on the Provision of Services in Connection to Wholesale Electricity Trading in Poland of 3/22/2011
CEZ Slovensko, s.r.o.		Framework Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 12/1/2007
CEZ Slovensko, s.r.o.		General Agreement Concerning the Delivery and Acceptance of Natural Gas (EFET) of 6/1/2010
CEZ Slovensko, s.r.o.		EECS Certificates Master Agreement (EFET) of 11/21/2014
CEZ Slovensko, s.r.o.		17 Agreements on Single Delivery of Guarantees of Origin
CEZ Slovensko, s.r.o.		Full Electricity Supply Agreement of 12/22/2015
CEZ Slovensko, s.r.o.		Agreement on Access to Virtual Gas Reservoir and Gas Storage of 3/2/2016
CEZ Slovensko, s.r.o.		Agreement on Access to Virtual Gas Reservoir and Gas Storage of 3/31/2015
CEZ Slovensko, s.r.o.	5600002650	Agreement on the Provision of Services of 6/10/2008 (ICT Services)
CEZ Slovensko, s.r.o.	5600003070	General Agreement on the Provision of Services of 1/2/2012 (Financial Services, Risk Management Services, Trading Services)
CEZ Slovensko, s.r.o.		Agreement on the Provision of Services in Connection with Wholesale Electricity and Gas Trading in the Slovak Republic of 8/12/2013
CEZ Slovensko, s.r.o.		License Agreement on Provision of the Right to Use ČEZ Trademarks on Slovakia's Territory of 12/30/2014
CEZ Slovensko, s.r.o.		General Agreement on Financial Market Trading (ISDA) of 5/11/2016
CEZ Slovensko, s.r.o.		The Mutual Credit Facility Agreement of 2/1/2010
CEZ Slovensko, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 1/26/2012
CEZ Slovensko, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
CEZ Slovensko, s.r.o.		Agreement on the Issuance of Guarantees of 12/21/2007
CEZ Srbija d.o.o.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 8/1/2007
CEZ Srbija d.o.o.	4100012777	Agreement on the Provision of Services of 6/19/2008 (ICT Services)
CEZ Srbija d.o.o.		License Agreement on Provision of the Right to Use ČEZ Trademarks on Serbia's Territory of 12/30/2014
CEZ Srbija d.o.o.		Agreement on Business Cooperation in Power Wholesale in Serbia of 10/20/2008
CEZ Srbija d.o.o.		Agreement on Issuance of Guarantees of 11/5/2006
CEZ Towarowy Dom Maklerski sp. z o.o.		Agreement on the Provision of Brokerage Services on Markets Organized by TGE (Towarową Giełdą Energii, Polish Commodity Exchange) of 7/30/2014

Company Name (Contracting Party)	Agreement File Number	Agreement Name
CEZ Trade Bulgaria EAD		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 11/1/2007
CEZ Trade Bulgaria EAD		Agreement on Business Cooperation in Power Wholesale in Bulgaria of 7/16/2008
CEZ Trade Bulgaria EAD		Agreement on the Provision of Services of 8/26/2016 (Trading Services)
CEZ Trade Polska sp. z o.o.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 12/15/2007
CEZ Trade Polska sp. z o.o.		General Agreement Concerning the Delivery and Acceptance of Natural Gas (EFET) of 8/1/2015
CEZ Trade Polska sp. z o.o.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 11/1/2015
CEZ Trade Polska sp. z o.o.		Full Electricity Supply Agreement of 12/21/2009
CEZ Trade Polska sp. z o.o.		Agreement on the Provision of Services in Connection with Wholesale Electricity Trading in Poland of 6/8/2010 (Supporting Services)
CEZ Trade Polska sp. z o.o.	5600004736	Agreement on the Provision of Services of 12/20/2013 (Trading Services)
CEZ Trade Polska sp. z o.o.		General Agreement on Market Operating Services of 12/29/2008 (Services Concerning the Reporting of Electricity Supply/Consumption to the Transmission Grid Operator)
CEZ Trade Polska sp. z o.o.	5600006070	Agreement on the Provision of Services of 7/23/2015 (ICT Services)
CEZ Trade Polska sp. z o.o.		Agreement on the Issuance of Guarantees of 6/9/2008
CEZ Trade Polska sp. z o.o.		Guarantee Agreement of 8/1/2007 for the Polish Energy Regulator (URE)
CEZ Trade Romania S.R.L.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 3/1/2009
CEZ Trade Romania S.R.L.		Agreement on Provision of Services in Connection with Wholesale Electricity Trading in Romania of 1/29/2015
CEZ Trade Romania S.R.L.	5600007770	Agreement on the Provision of Services of 12/27/2016 (Trading Services)
CEZ Trade Romania S.R.L.		Agreement on the Provision of Services Related to Balancing of Electricity Trading in Romania of 12/27/2012
CEZ Trade Romania S.R.L.		Agreement on the Issuance of Guarantees of 6/10/2007
CEZ Vanzare S.A.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 9/1/2010
CEZ Vanzare S.A.		Service Agreement of 2/1/2013
CEZ Vanzare S.A.	91_1	Agreement of the Issuance of Guarantees of 1/23/2013
CM European Power International B.V.		Loan Facility (Agreement Subject: Back-to-Back Loan to Finance Tranche Under Loan Facility No. 0545878/01CRZ)
CM European Power Slovakia s.r.o.	0545878/01CRZ	Loan Facility
ČEPRO, a.s.	4400032764	Agreement on Transportation of Tank Cars with TOLEX
ČEPRO, a.s.	4400032765	Rental Agreement for Tank Cars for TOLEX Transportation
ČEPRO, a.s.	4400011154	Agreement the Subject of Which Consists in Consumption from Supplier Consignment, Including Costs Associated with Diesel Fuel Supplied to the Temelín and Dukovany Nuclear Power Plants
ČEPRO, a.s.	5600006821	TOLEX Sale
ČEZ Bohunice a.s.	5600001497	Agreement of the Provision of Services (Purchase Services – Selection and Award Proceedings)
ČEZ Bohunice a.s.	5600006022	Service Provision Agreement (Provision of Media Services)
ČEZ Bohunice a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010, as Amended
ČEZ Bohunice a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Bohunice a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010, as Amended
ČEZ Bohunice a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Bohunice a.s.		Contract on Personal Data Processing
ČEZ Distribuce, a. s.	42004	General Agreement on the Poříčí Island Emergency Assistance of 4/26/2016
ČEZ Distribuce, a. s.	279281	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Distribuce, a. s.	30034054	Contract for Facility Connection to the Distribution Grid
ČEZ Distribuce, a. s.	4101098911	Non-Residential Areas Lease
ČEZ Distribuce, a. s.	4101100770	General Agreement on Location Swap and Provision of Regulation During Power Supply to the Poříčí Separated Island of 5/16/2016
ČEZ Distribuce, a. s.	4101107323	Agreement on the Provision of Supporting Services in Voltage and Idle Power Regulation of 12/15/2014
ČEZ Distribuce, a. s.	4101245122	Agreement on the Provision of Regulation Services During Power Supply to the Střelná Separated Island of 4/26/2016
ČEZ Distribuce, a. s.	4101418462	Purchase Agreement – Purchase of the Vítkov Facility
ČEZ Distribuce, a. s.	4101440647	Agreement on Cyber Security
ČEZ Distribuce, a. s.	4101492251	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Distribuce, a. s.	4101508388	Purchase Agreement
ČEZ Distribuce, a. s.	4400019418	Electric Power Supplies for Electromobility
ČEZ Distribuce, a. s.	4400022032	Non-Residential Area Lease
ČEZ Distribuce, a. s.	4400029943	Non-Residential Area Lease
ČEZ Distribuce, a. s.		2 Agreements on the Provision of Distribution Services of 12/22/2015, as Specified in Appendices
ČEZ Distribuce, a. s.	4400014244	Purchase Agreement (Fuels)
ČEZ Distribuce, a. s.	4400022264	Non-Residential Area Lease
ČEZ Distribuce, a. s.	4400022272	Land Lease
ČEZ Distribuce, a. s.	5600007540	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Distribuce, a. s.	4400009292	Agreement on the Provision of Services
ČEZ Distribuce, a. s.	4400019020	Agreement on the Provision of Services
ČEZ Distribuce, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Distribuce, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/26/2013
ČEZ Distribuce, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Distribuce, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Distribuce, a. s.		3 Agreements on Credit Facilities No. 2012/9, 2015/1, and 2015/6
ČEZ Distribuce, a. s.		23 Agreements on Transformer Station Ownership Right Transfers
ČEZ Distribuce, a. s.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 9/29/2016
ČEZ Distribuce, a. s.		Contract on the Protection of Confidential Information and Personal Data Processing of 9/22/2014
ČEZ Distribuce, a. s.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 5/13/2015
ČEZ Distribuce, a. s.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 8/11/2015
ČEZ Distribuce, a. s.		Agreement on Contracting Entities' Coordinated Action in the Completion of a Public Contract of 11/8/2016
ČEZ Distribuce, a. s.		Agreement on Personal Data Processing of 11/29/2010
ČEZ Distribuční služby, s.r.o.	286935	Contract on Inspection Activities – Diagnostic Measuring, Tests, and Evaluations Related to Electrical Equipment
ČEZ Distribuční služby, s.r.o.	4101360352	Inspection of the Equipment for the Ledvice Power Plant
ČEZ Distribuční služby, s.r.o.	4400009229	Contract for Work – Periodic Protective Equipment Testing
ČEZ Distribuční služby, s.r.o.	4400018682	Switching Station Operation
ČEZ Distribuční služby, s.r.o.	4400024087	Contract on Providing Heat Meter Reading Services and Processing of Data from Heat Subscribers' Locations
ČEZ Distribuční služby, s.r.o.	4400031454	Agreement on the Provision of Electromobility Services
ČEZ Distribuční služby, s.r.o.	4400034213	Cable Diagnostic Measuring
ČEZ Distribuční služby, s.r.o.	5600001331	General Agreement on the Provision of Services Related to Preventive Maintenance, Repairs, Operation, and Elimination of Defects in Electrical Equipment at the Locations of Hydro-Electric Power Plants
ČEZ Distribuční služby, s.r.o.	5600002172	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Distribuční služby, s.r.o.	4400009291	Agreement on the Provision of Services
ČEZ Distribuční služby, s.r.o.	4400029542	General Agreement on the Provision of Services to Abroad
ČEZ Distribuční služby, s.r.o.	5600006000	Agreement on the Provision of Services
ČEZ Distribuční služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Distribuční služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010
ČEZ Distribuční služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Distribuční služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Distribuční služby, s.r.o.		Agreement on Maintaining a List of Persons with Access to Internal Information of ČEZ of 8/9/2010
ČEZ Distribuční služby, s.r.o.		Contract on the Protection of Confidential Information and Personal Data Processing of 9/22/2014
ČEZ Distribuční služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 5/13/2015
ČEZ Distribuční služby, s.r.o.		General Agreement on the Reassignment of Receivables in the CEZ Group for the Purpose of Performing Setting Off of 1/1/2013
ČEZ Distribuční služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Completion of a Public Contract of 11/8/2016
ČEZ Distribuční služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 9/29/2016
ČEZ Distribuční služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 8/11/2015
ČEZ Energetické produkty, s.r.o.	4100029620	Agreement on the Provision of Works Associated with the Rear Fuel Cycle
ČEZ Energetické produkty, s.r.o.	4100419693	Reclamation of the Tušimice Power Plant's Wastepond
ČEZ Energetické produkty, s.r.o.	4100751524	Reclamation of the Tušimice Power Plant's Wastepond
ČEZ Energetické produkty, s.r.o.	4100770297	Contract for Work – Silvicultural Services Provided in 2013-2017
ČEZ Energetické produkty, s.r.o.	4101004790	Reclamation of the Ledvice Power Plant's Wastepond
ČEZ Energetické produkty, s.r.o.	4101154125	Biological Reclamation
ČEZ Energetické produkty, s.r.o.	4101184566	Zbrod Landscaping
ČEZ Energetické produkty, s.r.o.	4101235218	Water Pumping Solution for the Residual Lake
ČEZ Energetické produkty, s.r.o.	4101288828	Landscaping, Revitalization, Humanization of the Panský les Wastepond Area
ČEZ Energetické produkty, s.r.o.	4101300008	Contract for Work Concerning the Biocorridor III Completion
ČEZ Energetické produkty, s.r.o.	4101306666	Reverse Infiltration of Leachate
ČEZ Energetické produkty, s.r.o.	4101307199	Reclamation of the Fučík Wastepond
ČEZ Energetické produkty, s.r.o.	4101317927	Territory Reclamation upon the Removal of the Railway Corridors of the Prunéřov Power Plant
ČEZ Energetické produkty, s.r.o.	4101331489	Scrap Metal Sale Support
ČEZ Energetické produkty, s.r.o.	4101356190	Drum Renovation
ČEZ Energetické produkty, s.r.o.	4101389613	Contract for Reclamation Work
ČEZ Energetické produkty, s.r.o.	4101401701	Subsequent Wastepond Reclamation
ČEZ Energetické produkty, s.r.o.	4101413869	Completion of REACH 2016 (REACH – EU's Chemical Policy)
ČEZ Energetické produkty, s.r.o.	4101437064	Securing the Fučík Wastepond after Flotation
ČEZ Energetické produkty, s.r.o.	4101440739	Liquidation of Septics
ČEZ Energetické produkty, s.r.o.	4101451385	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101452528	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101461969	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101463649	Contract for Work – Completion of Road Networks around the Panský les Wastepond

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Energetické produkty, s.r.o.	4101465993	Reconstruction of the Control System and Computers for Dry Ash Collection
ČEZ Energetické produkty, s.r.o.	4101478661	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101480401	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101482344	Purchase Contract (Cyclotron Spare Part – Nozzle)
ČEZ Energetické produkty, s.r.o.	4101489114	Reconstruction of the LINATEX Pumps
ČEZ Energetické produkty, s.r.o.	4101493511	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4101499598	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4101506490	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4101506493	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4101508224	Replacement Tree Planting
ČEZ Energetické produkty, s.r.o.	4101509903	Technical Reclamation – Liquidation of Residual Facilities
ČEZ Energetické produkty, s.r.o.	4101510054	Completion of Floricultural Services and Reclamation
ČEZ Energetické produkty, s.r.o.	4101510809	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4101510860	Purchase Contract (Cyclotron Spare Part)
ČEZ Energetické produkty, s.r.o.	4400003860	Agreement on the Provision of Works Associated with the Rear Fuel Cycle
ČEZ Energetické produkty, s.r.o.	4400004269	Agreement on the Operation of the Rear Fuel Cycle
ČEZ Energetické produkty, s.r.o.	4400004326	Agreement on the Provision of Works Associated with the Rear Fuel Cycle
ČEZ Energetické produkty, s.r.o.	4400029309	Agreement on the Maintenance and Repairs of the Logical Group of Secondary Power Products and Fuel Management
ČEZ Energetické produkty, s.r.o.	4400029342	Agreement on the Maintenance and Repairs of the Logical Group of Secondary Power Products and Fuel Management
ČEZ Energetické produkty, s.r.o.	4400029343	Agreement on the Maintenance and Repairs of the Logical Group of Secondary Power Products and Fuel Management
ČEZ Energetické produkty, s.r.o.	4400029531	Agreement on the Maintenance and Repairs of the Logical Group of Secondary Power Products and Fuel Management
ČEZ Energetické produkty, s.r.o.	4400032756	Scrap Yard Operation Support
ČEZ Energetické produkty, s.r.o.	4400032758	Scrap Yard Operation Support
ČEZ Energetické produkty, s.r.o.	4400032760	Scrap Yard Operation Support
ČEZ Energetické produkty, s.r.o.	4400034432	Equipment Servicing
ČEZ Energetické produkty, s.r.o.	4400035310	Powdery Limestone Transportation
ČEZ Energetické produkty, s.r.o.	5600003720	Purchase Agreement for the Sale of Unnecessary Certificated Secondary Energy Products
ČEZ Energetické produkty, s.r.o.	5600004760	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Energetické produkty, s.r.o.	5600005540	Purchase Agreement (Diesel Fuel)
ČEZ Energetické produkty, s.r.o.	5600006640	Purchase Agreement (Distribution Wheels)
ČEZ Energetické produkty, s.r.o.	5600007730	Temporary Ash Silo
ČEZ Energetické produkty, s.r.o.	ELE/20150094	Agreement on Electric Power Supply
ČEZ Energetické produkty, s.r.o.	EME/20140036	Agreement on Electric Power Supply
ČEZ Energetické produkty, s.r.o.	000001_2016	Lease Agreement
ČEZ Energetické produkty, s.r.o.	000285_2016	Lease Agreement
ČEZ Energetické produkty, s.r.o.	000389_2016	Lease Agreement
ČEZ Energetické produkty, s.r.o.	000487_2016	Lease Agreement
ČEZ Energetické produkty, s.r.o.	000549_2016	Lease Agreement
ČEZ Energetické produkty, s.r.o.	000686_2014	Lease Agreement
ČEZ Energetické produkty, s.r.o.	001111_2014	Lease Agreement
ČEZ Energetické produkty, s.r.o.	001139_2014	Combined Agreement – Lease
ČEZ Energetické produkty, s.r.o.	4101271364	Emergency Slag Flotation to the Wastepond
ČEZ Energetické produkty, s.r.o.	4101377773	Hydrogen Cooler Renovation
ČEZ Energetické produkty, s.r.o.	4400031610	Reconstruction of the Koch 400 Pipe Conveyor
ČEZ Energetické produkty, s.r.o.	5600001489	Agreement on the Provision of Services
ČEZ Energetické produkty, s.r.o.	69928300_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69959600_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69968400_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69978300_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69978400_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69978500_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	69984500_1	Agreement on Thermal Energy Supply
ČEZ Energetické produkty, s.r.o.	ETU/2016/EE001	Agreement on Electric Power Supply
ČEZ Energetické produkty, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 6/30/2008
ČEZ Energetické produkty, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010
ČEZ Energetické produkty, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Energetické produkty, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Energetické služby, s.r.o.	30033751	Agreement on the Sale of Stock Goods
ČEZ Energetické služby, s.r.o.	4101302828	Agreement on Electrical Equipment Maintenance and Repairs
ČEZ Energetické služby, s.r.o.	4101304862	Charging Station Installation – Electromobility
ČEZ Energetické služby, s.r.o.	4101305731	Charging Station Repair – Electromobility
ČEZ Energetické služby, s.r.o.	4101416382	Lighting System Renewal Agreement

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Energetické služby, s.r.o.	4101444146	Disassembly and Removal of the Charging Stations
ČEZ Energetické služby, s.r.o.	4101470368	Disassembly and Removal of the Charging Stations
ČEZ Energetické služby, s.r.o.	4101497766	Disassembly and Removal of the Charging Stations
ČEZ Energetické služby, s.r.o.	4400022435	Agreement on Handling, Transportation, Crane, and Slinger Works
ČEZ Energetické služby, s.r.o.	4400027717	Agreement on Technological Equipment Maintenance
ČEZ Energetické služby, s.r.o.	4400030014	Agreement on Securing Technological Equipment Lubrication
ČEZ Energetické služby, s.r.o.	5600006540	Agreement on the Assignment of Rights and Obligations from the Agreement on Cooperation During Operation Securing
ČEZ Energetické služby, s.r.o.	4400004274	Technological Equipment Maintenance
ČEZ Energetické služby, s.r.o.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 7/4/2014
ČEZ Energetické služby, s.r.o.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 7/4/2014
ČEZ Energetické služby, s.r.o.	4101315963	Agreement on Combined Gas Supplies
ČEZ Energetické služby, s.r.o.	4101319498	Agreement on Circulated Water Supply and Consumption
ČEZ Energetické služby, s.r.o.	4101319440	Agreement on Process Water Supply and Consumption
ČEZ Energetické služby, s.r.o.	4101316747	Agreement on Thermal Energy Supply
ČEZ Energetické služby, s.r.o.	4101116484	Agreement on Non-Residential Area Lease
ČEZ Energetické služby, s.r.o.	4101154425	Agreement on Technical Assistance During Inspection and Professional Activities
ČEZ Energetické služby, s.r.o.	4101178570	Agreement on Media Services Provision
ČEZ Energetické služby, s.r.o.	4101437964	Agreement on Project Documentation
ČEZ Energetické služby, s.r.o.	4101488290	Control Panel Relocation
ČEZ Energetické služby, s.r.o.	4101505460	Documentation of the Kníničky Technical Protection System
ČEZ Energetické služby, s.r.o.	4101514299	Disassembly and Removal of a Charging Station
ČEZ Energetické služby, s.r.o.	4400032502	Agreement on the Servicing of Technical Protection and Electric Fire Alarm Systems
ČEZ Energetické služby, s.r.o.	5600001322	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Energetické služby, s.r.o.	4400009301	Agreement on the Provision of Services
ČEZ Energetické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Energetické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Energetické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 10/25/2016
ČEZ Energetické služby, s.r.o.		The Mutual Credit Facility Agreement of 11/25/2016
ČEZ Energetické služby, s.r.o.		Agreement on the Issuance of Guarantees of 11/11/2014
ČEZ Energetické služby, s.r.o.		Agreement on the Issuance of Guarantees of 9/15/2014, as Amended
ČEZ Energo, s.r.o.	4100879970	Agreement on the Project Completion
ČEZ Energo, s.r.o.	5600006555	Agreement on the Provision of Services (Webpages)
ČEZ Energo, s.r.o.	5600007397	License Agreement on the Provision of the Right to Use Trademarks
ČEZ ENERGOSERVIS spol. s r.o.	239	Contract for Work Concerning the Provision of Specialized Services in the Area of Technological Decontamination
ČEZ ENERGOSERVIS spol. s r.o.	1833	Contract for Work – Provision of Operating Services in the Waste Management Area
ČEZ ENERGOSERVIS spol. s r.o.	7221	Agreement on the Provision of Special Services
ČEZ ENERGOSERVIS spol. s r.o.	15429	Agreement on Canteens
ČEZ ENERGOSERVIS spol. s r.o.	103647	Agreement on Canteens
ČEZ ENERGOSERVIS spol. s r.o.	104338	Maintenance and Repairs
ČEZ ENERGOSERVIS spol. s r.o.	30016736	System Management of Decontamination and Special Washrooms
ČEZ ENERGOSERVIS spol. s r.o.	90000549	Provision of Laundry Services
ČEZ ENERGOSERVIS spol. s r.o.	90001073	Provision of Waste Management Services
ČEZ ENERGOSERVIS spol. s r.o.	90014065	Provision of Laundry Services
ČEZ ENERGOSERVIS spol. s r.o.	90102710	Waste Measuring
ČEZ ENERGOSERVIS spol. s r.o.	93007097	Waste Management
ČEZ ENERGOSERVIS spol. s r.o.	93007098	Waste Management
ČEZ ENERGOSERVIS spol. s r.o.	93008550	Technical Support Provision
ČEZ ENERGOSERVIS spol. s r.o.	4100137624	Fire Protection
ČEZ ENERGOSERVIS spol. s r.o.	4100479604	Material Sorting
ČEZ ENERGOSERVIS spol. s r.o.	4100732323	Provision of Alternative Power Supplies (Diesel-Aggregate Stations) Upon the Loss of All the Project Power Supplies of the Power Plant
ČEZ ENERGOSERVIS spol. s r.o.	4100914247	Oil Sets Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4100980543	Modification of the Film Rotary Evaporator
ČEZ ENERGOSERVIS spol. s r.o.	4101050008	Barriers Against Objects Falling from the Stands
ČEZ ENERGOSERVIS spol. s r.o.	4101064791	Coal Grinder Supply and Installation
ČEZ ENERGOSERVIS spol. s r.o.	4101112762	Pressure Surges in the TVD Pipeline (Critical Technical Water) During a TVD Pump Shutdown
ČEZ ENERGOSERVIS spol. s r.o.	4101126818	Equipment Preventing Falls of Employees from the Crane Lines and Simultaneously Enabling Their Relatively Free and Safe Movement
ČEZ ENERGOSERVIS spol. s r.o.	4101134482	Handling, Crane, and Slinger Works
ČEZ ENERGOSERVIS spol. s r.o.	4101150236	Seismic Reinforcement
ČEZ ENERGOSERVIS spol. s r.o.	4101173411	Pipeline Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4101175493	Acceleration of the Stabilization of the PERZIK Installation of Multiple Holes in the Constructions (PERZIK – Equipment Test Name)
ČEZ ENERGOSERVIS spol. s r.o.	4101176663	Construction Modifications

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ ENERGOSERVIS spol. s r.o.	4101201012	Replacement of Electric Motors
ČEZ ENERGOSERVIS spol. s r.o.	4101259574	Biofouling Monitoring
ČEZ ENERGOSERVIS spol. s r.o.	4101281472	Addition of Shorting Trucks
ČEZ ENERGOSERVIS spol. s r.o.	4101283064	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101288495	Emergency Sump Level Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4101290914	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101292935	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101297592	Generator Bearing Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101300552	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101313807	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101323865	Reactor Room Reinforcement After Its Re-evaluation
ČEZ ENERGOSERVIS spol. s r.o.	4101324968	Elevation of the Shaft of the Drain System of the Dlouhé Stráně Power Plant
ČEZ ENERGOSERVIS spol. s r.o.	4101327865	Installation of a Throttle Aperture into the Pump
ČEZ ENERGOSERVIS spol. s r.o.	4101340251	Transfer Station Reconstruction
ČEZ ENERGOSERVIS spol. s r.o.	4101353400	Pump Lifting Equipment
ČEZ ENERGOSERVIS spol. s r.o.	4101353816	Covering the Overflow Holes of the Critical Technical Water
ČEZ ENERGOSERVIS spol. s r.o.	4101354224	Seismic Reinforcement of the Supporting Structures
ČEZ ENERGOSERVIS spol. s r.o.	4101358672	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101361562	Preparation of Welds for Inspections
ČEZ ENERGOSERVIS spol. s r.o.	4101361623	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101375860	Securing the Suction of Diesel Fuel from the Inserted Tanks to Tank Trucks and Securing the Emergency Tank Filling
ČEZ ENERGOSERVIS spol. s r.o.	4101376213	Connection
ČEZ ENERGOSERVIS spol. s r.o.	4101379180	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101379189	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101382713	Preparation of Welds for Inspections
ČEZ ENERGOSERVIS spol. s r.o.	4101387936	Modification of Bridges
ČEZ ENERGOSERVIS spol. s r.o.	4101388726	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101389424	Bracket Modification, Expert Assistance
ČEZ ENERGOSERVIS spol. s r.o.	4101396577	Replacement of Cups and Replacement of the Loops for a Trap
ČEZ ENERGOSERVIS spol. s r.o.	4101403011	Turbine Spare Part
ČEZ ENERGOSERVIS spol. s r.o.	4101407109	Connection
ČEZ ENERGOSERVIS spol. s r.o.	4101407999	Surface Anti-Slip Treatment
ČEZ ENERGOSERVIS spol. s r.o.	4101411666	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101416774	Spare Part – Air-Conditioning Units
ČEZ ENERGOSERVIS spol. s r.o.	4101418071	Preservation of Drainages
ČEZ ENERGOSERVIS spol. s r.o.	4101420805	Pipeline Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4101422701	Installation of Firm Measuring Points
ČEZ ENERGOSERVIS spol. s r.o.	4101428755	Turbine Spare Part
ČEZ ENERGOSERVIS spol. s r.o.	4101430701	Screen Node Solution
ČEZ ENERGOSERVIS spol. s r.o.	4101431450	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101431524	Crane Verification Alignment
ČEZ ENERGOSERVIS spol. s r.o.	4101432574	Renovation of 3 Electric Motors
ČEZ ENERGOSERVIS spol. s r.o.	4101440966	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101443273	Assembly for Handling
ČEZ ENERGOSERVIS spol. s r.o.	4101448773	Building Permit Documentation and Construction Completion Documentation – Reconstruction of the Mělník Power Plant's Warehouse
ČEZ ENERGOSERVIS spol. s r.o.	4101458906	Assistance During Storage and Handling Activities
ČEZ ENERGOSERVIS spol. s r.o.	4101462889	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101466025	Securing Project Implementation Documentation
ČEZ ENERGOSERVIS spol. s r.o.	4101470376	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101471049	Sealing
ČEZ ENERGOSERVIS spol. s r.o.	4101472194	Crane Alignment
ČEZ ENERGOSERVIS spol. s r.o.	4101472828	Pin Equipment Lifting
ČEZ ENERGOSERVIS spol. s r.o.	4101478601	Machinery Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4101486481	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101491019	Air-Conditioning Unit Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4101499769	Seismic Proofing the Cooling System
ČEZ ENERGOSERVIS spol. s r.o.	4101500683	Renovation
ČEZ ENERGOSERVIS spol. s r.o.	4101504017	Sealing
ČEZ ENERGOSERVIS spol. s r.o.	4101506192	Signaling System
ČEZ ENERGOSERVIS spol. s r.o.	4101511035	Addition of Check Valves
ČEZ ENERGOSERVIS spol. s r.o.	4400001167	URAO Operation (Radioactive Waste Storage Site)
ČEZ ENERGOSERVIS spol. s r.o.	4400004082	Logical Unit Maintenance
ČEZ ENERGOSERVIS spol. s r.o.	4400004102	Measuring of the Activities (Mass Activities) of Objects, Material, and Waste
ČEZ ENERGOSERVIS spol. s r.o.	4400006321	Repair and Replacement of Chemical Substance Plastic Piping, Polyfusion Welding, and Repair of the Fitting Welds of Demineralization Water Lines
ČEZ ENERGOSERVIS spol. s r.o.	4400007640	Logical Unit Maintenance
ČEZ ENERGOSERVIS spol. s r.o.	4400008410	Logical Unit Maintenance

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ ENERGOSERVIS spol. s r.o.	4400010732	Repair of the Washroom Anti-Slip Floors
ČEZ ENERGOSERVIS spol. s r.o.	4400013393	Replacement of the Aftercooler, Intercooler, and Overflow Cooler
ČEZ ENERGOSERVIS spol. s r.o.	4400013744	ZRAO Operation (Radioactive Waste Processing)
ČEZ ENERGOSERVIS spol. s r.o.	4400017985	Logical Unit Maintenance
ČEZ ENERGOSERVIS spol. s r.o.	4400021321	Readiness to Provide Emergency Assistance
ČEZ ENERGOSERVIS spol. s r.o.	4400021721	Readiness to Provide Emergency Assistance
ČEZ ENERGOSERVIS spol. s r.o.	4400022091	Patrols and Checking Activities
ČEZ ENERGOSERVIS spol. s r.o.	4400023692	Completion of Inspections and Repairs
ČEZ ENERGOSERVIS spol. s r.o.	4400024064	Replacement of the Cooling Water Distribution System
ČEZ ENERGOSERVIS spol. s r.o.	4400025342	Screen Cleaning
ČEZ ENERGOSERVIS spol. s r.o.	4400026314	Project Support for FURMANITE
ČEZ ENERGOSERVIS spol. s r.o.	4400026606	Piping Bellow Replacement
ČEZ ENERGOSERVIS spol. s r.o.	4400027621	Overhaul of the Condensation Pumps
ČEZ ENERGOSERVIS spol. s r.o.	4400029159	Securing the Maintenance and Repairs of the Generator, Turbine, and Joint Equipment
ČEZ ENERGOSERVIS spol. s r.o.	4400030368	Securing Sleeve Distribution
ČEZ ENERGOSERVIS spol. s r.o.	4400030548	Piping Wall Thickness Measurement
ČEZ ENERGOSERVIS spol. s r.o.	4400030790	Technical Assistance During the Containment Works Coordination
ČEZ ENERGOSERVIS spol. s r.o.	4400031018	Liquidation of the Equipment from the Controlled Zone
ČEZ ENERGOSERVIS spol. s r.o.	4400031304	Securing the Cooling Water Cleanliness and Prevention of any Development of Potential Sediments in the Lines and Clogging of the Cooler Tubes Through 2 Filters with Automatic Cleaning and Desludging
ČEZ ENERGOSERVIS spol. s r.o.	4400031394	Securing the Cooling Water Cleanliness and Prevention of Any Development of Potential Sediments in the Lines and Clogging of the Cooler Tubes Through 2 Filters with Automatic Cleaning and Desludging
ČEZ ENERGOSERVIS spol. s r.o.	4400032144	Processing and Engraving of Plastic Labels
ČEZ ENERGOSERVIS spol. s r.o.	4400032287	WPQR for the Valve Heart Guide Repairs
ČEZ ENERGOSERVIS spol. s r.o.	4400032293	Readiness to Provide Emergency Assistance
ČEZ ENERGOSERVIS spol. s r.o.	4400032379	Repairs of Fixtures and Equipment
ČEZ ENERGOSERVIS spol. s r.o.	4400032565	Securing Readiness to Provide Emergency Assistance
ČEZ ENERGOSERVIS spol. s r.o.	4400033028	Operating and Handling of the ZAVCIP Boxes
ČEZ ENERGOSERVIS spol. s r.o.	4400033035	General Agreement on Equipment Maintenance, Repairs, and Inspections
ČEZ ENERGOSERVIS spol. s r.o.	4400033069	Logical Unit Maintenance and Repair
ČEZ ENERGOSERVIS spol. s r.o.	4400033117	Tripping Valve Overhaul
ČEZ ENERGOSERVIS spol. s r.o.	4400033182	Repair of the Heating Water Pump Algorithms
ČEZ ENERGOSERVIS spol. s r.o.	4400033324	Logical Unit Maintenance and Repair
ČEZ ENERGOSERVIS spol. s r.o.	4400033553	Generator Noise Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4400033595	Crane Works
ČEZ ENERGOSERVIS spol. s r.o.	4400033781	Measuring of the Fire Pump Parameters
ČEZ ENERGOSERVIS spol. s r.o.	4400033902	Securing and Installing Electric Motors
ČEZ ENERGOSERVIS spol. s r.o.	4400034254	Leak Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4400034262	Waste Liquidation
ČEZ ENERGOSERVIS spol. s r.o.	4400034434	Technical Assistance During the Containment Works Coordination
ČEZ ENERGOSERVIS spol. s r.o.	4400034675	Air, Multispectral, and Ground Measurements
ČEZ ENERGOSERVIS spol. s r.o.	4400034702	Piping Insulation Condition Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4400034784	Evaluation, Inspection, Archiving
ČEZ ENERGOSERVIS spol. s r.o.	4400034891	Generator Noise Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4400034985	Generator Diagnostic Measuring
ČEZ ENERGOSERVIS spol. s r.o.	4400035094	Pressure Vessels Inspection
ČEZ ENERGOSERVIS spol. s r.o.	4400035818	Qualification Securing
ČEZ ENERGOSERVIS spol. s r.o.	4400035941	Switchboard Repair
ČEZ ENERGOSERVIS spol. s r.o.	4400035986	Assistance Provided During the Rotor Replacements
ČEZ ENERGOSERVIS spol. s r.o.	4400036474	Securing Readiness to Provide Emergency Assistance
ČEZ ENERGOSERVIS spol. s r.o.	5600007260	General Agreement on the Sale of Stock Goods of 6/27/2016
ČEZ ENERGOSERVIS spol. s r.o.	5600007560	License Agreement on the Provision of the Right to Use Trademarks
ČEZ ENERGOSERVIS spol. s r.o.	4400024709	Agreement on the Provision of Services
ČEZ ENERGOSERVIS spol. s r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 1/24/2011
ČEZ ENERGOSERVIS spol. s r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ ESCO, a.s.	5600007090	License Agreement on the Provision of the Right to Use Trademarks
ČEZ ESCO, a.s.	5600005880	Agreement on the Provision of Services of 5/25/2015
ČEZ ESCO, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 2/11/2016
ČEZ ESCO, a.s.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 2/11/2016
ČEZ ESCO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 12/8/2014
ČEZ ESCO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ ESCO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 2/1/2016
ČEZ ESCO, a.s.		Agreement on the Subscription of Shares of 6/22/2016
ČEZ ESCO, a.s.		Agreement on the Inserting of Shares of 6/22/2016

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ ESCO, a.s.		Agreement on Claim Inserting of 6/22/2016
ČEZ ESCO, a.s.		Agreement on Surcharge of 9/21/2016
ČEZ ICT Services, a. s.	4100017278	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100024933	Agreement on the Provision of Services – Bulgaria
ČEZ ICT Services, a. s.	4100028983	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100051248	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100090828	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100686771	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100696052	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100696172	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100773622	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ ICT Services, a. s.	4100804289	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ ICT Services, a. s.	4100871029	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100871057	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100872622	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100875649	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100875771	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100888337	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100888563	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100891309	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100894825	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100901203	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4100933712	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4100969411	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101027840	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4101077705	Agreement on the Completion of the "Failure Signaling System and the TELEDU and MSE Epro Remote Measuring Systems" Project
ČEZ ICT Services, a. s.	4101082582	Agreement on Future Agreement Concerning the "Configuration Management Information System for the CEZ Group" Project
ČEZ ICT Services, a. s.	4101082629	Agreement on Future Agreement Concerning the Asset Suite System Upgrade Project
ČEZ ICT Services, a. s.	5600005613	Order Contract – Supply, Assembly, and Service of Technical Protection Systems and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	4101129964	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	4101176955	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101234276	Agreement on Future Agreement Concerning a Project for the "Personnel Preparation Center"
ČEZ ICT Services, a. s.	4101275878	Agreement on a Single Use of Advisory Services During the Creation of the Local Converge Version in Romania
ČEZ ICT Services, a. s.	4101293730	Agreement on Single Performance in Relation to a Data Point Migration
ČEZ ICT Services, a. s.	4101299780	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101300009	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101308763	Agreement on a Single-Use Service Concerning the Preparation of the Target Concept for the Development Project of "Invoicing of Reactive Energy" in Romania
ČEZ ICT Services, a. s.	4101314263	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101317820	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101317916	Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4101328638	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	4101348177	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ ICT Services, a. s.	4101365148	Agreement on Cyber Security
ČEZ ICT Services, a. s.	4101372908	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	4101383920	Agreement on Single Supply of Chips for Romania
ČEZ ICT Services, a. s.	4101419258	Agreement on Single Hardware Support of the Shareholders' Meeting
ČEZ ICT Services, a. s.	4101430862	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	4101439085	Agreement on Cyber Security
ČEZ ICT Services, a. s.	4101441573	Agreement on Cyber Security
ČEZ ICT Services, a. s.	4101495142	Agreement on Single Hardware Support of the General Meeting
ČEZ ICT Services, a. s.	4101506074	Agreement on Future Agreement Concerning the Business Intelligence Project
ČEZ ICT Services, a. s.	4400011179	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	4400012688	PC Repair
ČEZ ICT Services, a. s.	4400015314	Service Contract Concerning the Electronic Fire Alarm System
ČEZ ICT Services, a. s.	4400022101	Metric Cabling Replacement
ČEZ ICT Services, a. s.	4400025654	General Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4400028994	Agreement on Repair
ČEZ ICT Services, a. s.	4400033124	General Agreement on the Provision of IT and Telecommunication Services
ČEZ ICT Services, a. s.	4400035633	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ ICT Services, a. s.	5600002300	Agreement on Non-Residential Area Lease
ČEZ ICT Services, a. s.	5600004330	License Agreement on the Provision of the Right to Use Trademarks
ČEZ ICT Services, a. s.	5600005750	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ ICT Services, a. s.	5600005941	Letter of Intent – Receipt of Services for a Corporate Data Center
ČEZ ICT Services, a. s.	5600006053	Agreement on Future Agreement on Easement Establishment

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ ICT Services, a. s.	4400009299	Agreement on the Provision of Services
ČEZ ICT Services, a. s.		The Mutual Credit Facility Agreement of 8/27/2012
ČEZ ICT Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ ICT Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010
ČEZ ICT Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ ICT Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Inženýring, s.r.o.	4101014861	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101014888	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101016373	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101016918	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101033955	Non-Residential Area Lease
ČEZ Inženýring, s.r.o.	4101035064	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101044877	Non-Residential Area Lease
ČEZ Inženýring, s.r.o.	4101044935	Non-Residential Area Lease
ČEZ Inženýring, s.r.o.	4101059782	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101059783	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Inženýring, s.r.o.	4101440753	Electromobility Feasibility Analysis
ČEZ Inženýring, s.r.o.	4101449145	Roof Cladding Reconstruction
ČEZ Inženýring, s.r.o.	4101464200	Electromobility Feasibility Analysis
ČEZ Inženýring, s.r.o.	4101482937	Electromobility Feasibility Analysis
ČEZ Inženýring, s.r.o.	4400027644	Agreement on the Provision of Technical Support and Services
ČEZ Inženýring, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Inženýring, s.r.o.	5600006610	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Inženýring, s.r.o.	5600005290	Agreement on the Provision of Services
ČEZ Korporátní služby, s.r.o.	4100100804	Agreement on Vehicle and Fuel Card Lease
ČEZ Korporátní služby, s.r.o.	4100472333	Land Lease
ČEZ Korporátní služby, s.r.o.	4100817505	Non-Residential Area Lease
ČEZ Korporátní služby, s.r.o.	4100897734	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Korporátní služby, s.r.o.	4101140968	Non-Residential Area Lease
ČEZ Korporátní služby, s.r.o.	4101258495	Lease of Land for Electromobility
ČEZ Korporátní služby, s.r.o.	4101259714	Non-Residential Area Lease
ČEZ Korporátní služby, s.r.o.	4101266234	Non-Residential Area Lease
ČEZ Korporátní služby, s.r.o.	4101297967	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101301145	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Korporátní služby, s.r.o.	4101317000	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101317008	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101325481	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101328127	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101331408	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Korporátní služby, s.r.o.	4101331508	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Korporátní služby, s.r.o.	4101336120	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101355271	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101363720	Land Purchase
ČEZ Korporátní služby, s.r.o.	4101363880	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101390932	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101392769	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101392790	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101392985	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393144	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393147	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393300	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393305	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393326	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393380	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101393388	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101398337	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101401611	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101434343	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101443600	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101449641	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101449652	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101450831	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101463667	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
ČEZ Korporátní služby, s.r.o.	4101463785	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Korporátní služby, s.r.o.	5600005821	Agreement on the Provision of Electromobility Services
ČEZ Korporátní služby, s.r.o.	4400012996	Agreement on the Provision of Services
ČEZ Korporátní služby, s.r.o.	4400029912	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Korporátní služby, s.r.o.	5600007401	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Korporátní služby, s.r.o.	4400009297	Agreement on the Provision of Services
ČEZ Korporátní služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Korporátní služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010
ČEZ Korporátní služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Korporátní služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Korporátní služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 9/29/2016
ČEZ Korporátní služby, s.r.o.		Agreement on Subrogation
ČEZ Korporátní služby, s.r.o.		Contract on Personal Data Processing
ČEZ Korporátní služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 5/13/2015
ČEZ Korporátní služby, s.r.o.		Agreement on Contracting Entities' Coordinated Action in the Completion of a Public Contract of 11/8/2016
ČEZ Obnovitelné zdroje, s.r.o.	4400032623	Agreement on the Provision of Services Concerning the Company's Website
ČEZ Obnovitelné zdroje, s.r.o.	5600007396	License Agreement on the Provision of the Right to use Trademarks
ČEZ Obnovitelné zdroje, s.r.o.	5600001484	Agreement on the Provision of Services
ČEZ Obnovitelné zdroje, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Obnovitelné zdroje, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Obnovitelné zdroje, s.r.o.		Agreement on Electric Power Supply of 10/16/2014
ČEZ OZ uzavřený investiční fond a.s.	4101353364	Lease Agreement
ČEZ OZ uzavřený investiční fond a.s.	5600003200	License Agreement on the Provision of the Right to Use Trademarks
ČEZ OZ uzavřený investiční fond a.s.	001102_2012	Agreement on Easement
ČEZ OZ uzavřený investiční fond a.s.	5600003042	Agreement on the Provision of Services (Financial Services and Internal Audit)
ČEZ OZ uzavřený investiční fond a.s.	5600005985	Agreement on the Provision of Services (Internet Profile Editing)
ČEZ OZ uzavřený investiční fond a.s.	5600006621	Agreement on Outsourcing of 12/30/2013
ČEZ OZ uzavřený investiční fond a.s.		Agreement on Mutual Credit Facilities Concerning the Agreement on the Provision of Real Multilevel Cash-Pooling (ČS) of 11/25/2011
ČEZ Prodej, s.r.o.	250768	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100439321	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100568495	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100614746	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100664077	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100671802	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100675275	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100676277	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100681462	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100681463	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100980587	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4100983232	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101044337	Electric Power Supplies for Electromobility
ČEZ Prodej, s.r.o.	4101331171	Electric Power Supplies for Electromobility
ČEZ Prodej, s.r.o.	4101509790	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512709	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512743	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512747	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512770	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512775	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512782	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4101512803	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Prodej, s.r.o.	4400031874	Agreement on Combined Gas Supplies
ČEZ Prodej, s.r.o.	5600006368	Agreement on the Provision of Electromobility Services
ČEZ Prodej, s.r.o.		Agreement on Securing Complete Electric Power Supply of 8/29/2008, as Amended
ČEZ Prodej, s.r.o.		Agreement on the Securing of Complete Gas Supply of 12/22/2009, as Amended
ČEZ Prodej, s.r.o.		Partial Agreement on a Virtual Natural Gas Reservoir with Constant Output Related to the Agreement on the Securing of Comprehensive Gas Supplies
ČEZ Prodej, s.r.o.		Agreement on the Provision of Services of 2/10/2010, as Amended, Trading Services
ČEZ Prodej, s.r.o.		Agreement on Securing the Supply Safety Standard in 2016–2017 of 6/29/2016

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Prodej, s.r.o.		Agreement on Securing the Supply Safety Standard in 2015–2016 of 9/30/2015
ČEZ Prodej, s.r.o.		Agreement on Electric Power Supply
ČEZ Prodej, s.r.o.		Agreement on Electric Power Supply
ČEZ Prodej, s.r.o.	4400009300	Agreement on the Provision of Services
ČEZ Prodej, s.r.o.	5600005170	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 8/20/2010
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Prodej, s.r.o.		Agreement on the Issuance of Bank Guarantees of 10/15/2009
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities (ČSOB) of 6/29/2006
ČEZ Prodej, s.r.o.		Agreement on Mutual Credit Facilities Concerning the Agreement on the Provision of Real Multilevel Cash-Pooling (ČS) of 6/29/2006
ČEZ Prodej, s.r.o.		The Mutual Credit Facility Agreement of 3/1/2011
ČEZ Recyklace, s.r.o.	4400029589	Securing the Obligations of the Solar Power Plant Operator
ČEZ Recyklace, s.r.o.	5600006556	Agreement on the Provision of Services Concerning the Company's Websites of 11/30/2015
ČEZ Recyklace, s.r.o.	5600006580	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Recyklace, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/24/2014
ČEZ Recyklace, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Solární, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 3/21/2016
ČEZ Solární, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 3/21/2016
ČEZ Teplárenská, a.s.	4100672987	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4100912064	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4101067636	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4101122809	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4101408968	Welding Process Inspection
ČEZ Teplárenská, a.s.	4101419973	Heating Control System Replacement
ČEZ Teplárenská, a.s.	4101471845	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4101490896	Welding Process Inspection
ČEZ Teplárenská, a.s.	4400019290	Laboratory Fuel Distribution Systems
ČEZ Teplárenská, a.s.	4400019297	Agreement on the Provision of Services
ČEZ Teplárenská, a.s.	4400026444	Supply of Electric Power, Heat, Water/Sewer Fees
ČEZ Teplárenská, a.s.	4400027063	Non-Residential Area Lease
ČEZ Teplárenská, a.s.	4400027760	Heating Plant Operation
ČEZ Teplárenská, a.s.	4400027762	Power Plant Equipment Maintenance Management
ČEZ Teplárenská, a.s.	4400028522	Gas Boiler Room Operation
ČEZ Teplárenská, a.s.	4400031149	Water Supply Chemical Analyses
ČEZ Teplárenská, a.s.	4400032493	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400032700	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400034068	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400034311	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400035146	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400035216	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	5600001112	Agreement on the Provision of Services
ČEZ Teplárenská, a.s.	5600005275	Agreement on Gas Supply
ČEZ Teplárenská, a.s.	5600006054	Contract for Work Concerning Water Chemical Analyses
ČEZ Teplárenská, a.s.	5600007400	Welding Process Inspection
ČEZ Teplárenská, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 4/1/2013
ČEZ Teplárenská, a.s.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 4/1/2013
ČEZ Teplárenská, a.s.	4100276773	Agreement on Electric Power Supply
ČEZ Teplárenská, a.s.	4100297851	Non-Residential Area Lease
ČEZ Teplárenská, a.s.	4100298692	Non-Residential Area Lease
ČEZ Teplárenská, a.s.	4100305339	Non-Residential Area Lease
ČEZ Teplárenská, a.s.	4100470611	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100470617	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100470640	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100471083	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100471103	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100471110	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100471114	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100471119	Agreement on Thermal Energy Supply

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ČEZ Teplárenská, a.s.	4100576636	Agreement on Electric Power Supply
ČEZ Teplárenská, a.s.	4100664299	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100827117	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4100936354	Heat-Exchanger Station Equipment Lease
ČEZ Teplárenská, a.s.	4100984414	Agreement on Electric Power Supply
ČEZ Teplárenská, a.s.	4100984418	Agreement on Electric Power Supply
ČEZ Teplárenská, a.s.	4101029346	Land Lease
ČEZ Teplárenská, a.s.	4101050489	Agreement on Demineralized Water Supply
ČEZ Teplárenská, a.s.	4101050543	Agreement on Electric Power Supply
ČEZ Teplárenská, a.s.	5600005386	Agreement on Drinking Water Supply, and Drainage and Disposal of Sewage Water
ČEZ Teplárenská, a.s.	4101075916	Agreement on Ammonia Water Supply
ČEZ Teplárenská, a.s.	4101092828	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4101097367	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4101102226	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4101103043	Agreement on Thermal Energy Supply
ČEZ Teplárenská, a.s.	4101123713	Non-Residential Area Lease
ČEZ Teplárenská, a.s.	4101364334	Agreement on the Partial Payment of the Study Price
ČEZ Teplárenská, a.s.	4400009302	Agreement on the Provision of Services
ČEZ Teplárenská, a.s.	4400017657	Mandate Contract
ČEZ Teplárenská, a.s.	4400030836	Agreement on the Provision of Services, Media Services
ČEZ Teplárenská, a.s.	4400033220	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	4400033748	Agreement on the Processing of Building Energy Performance Certificates
ČEZ Teplárenská, a.s.	5600004162	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Teplárenská, a.s.	001038_2014	Agreement on the Partial Transfer of an Employer's Activities
ČEZ Teplárenská, a.s.	001128_2011	Contract on Personal Data Processing
ČEZ Teplárenská, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Teplárenská, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/20/2015
ČEZ Teplárenská, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Teplárenská, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Teplárenská, a.s.		Agreement on the Joint Proceedings of Clients During the Public Contract Award of 8/11/2015
ČEZ Zákaznické služby, s.r.o.		Agreement on the Provision of Services of 7/22/2015 (Internet Profile Editing and Updating)
ČEZ Zákaznické služby, s.r.o.	5600007330	License Agreement on the Provision of the Right to Use Trademarks
ČEZ Zákaznické služby, s.r.o.		Agreement on the Issuance of Guarantees of 11/30/2009
ČEZ Zákaznické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
ČEZ Zákaznické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 4/7/2014
ČEZ Zákaznické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Zákaznické služby, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
ČEZ Zákaznické služby, s.r.o.		Agreement on Subrogation of 12/31/2015
ČEZ Zákaznické služby, s.r.o.		Agreement on Personal Data Processing of 7/22/2011
ČEZ Zákaznické služby, s.r.o.		Agreement on the Provision of Services of 8/31/2010 (Bulk Printing and Delivery Enveloping)
ČEZ Zákaznické služby, s.r.o.		Agreement on the Provision of Services of 2/10/2010 (Provision of Tax Services, Personal, Financial, Internal Audit and Monitoring Services, Purchasing Process Services, and Services Concerning Internal Communication, Control System, Information Security, and Controlling)
ČEZ Zákaznické služby, s.r.o.		Agreement on the Provision of Billing Services of 1/1/2009
ČEZ Zákaznické služby, s.r.o.		Agreement on the Provision of Services (Electric Power Purchase) of 1/1/2006
ČEZ Zákaznické služby, s.r.o.		Contract on the Protection of Confidential Information and Personal Data Processing of 9/22/2014
Distributie Energie Oltenia S.A.		General Agreement on the Electric Power Supply and Consumption (EFET) of 6/1/2014
Distributie Energie Oltenia S.A.		Agreement of the Issuance of Guarantees of 4/5/2013
Eco-Wind Construction S.A.	2012/2	Loan Facility Agreement of 2/3/2012
EGP INVEST, spol. s r.o.	4100985958	Seismic Reinforcement of the Supporting Structures
EGP INVEST, spol. s r.o.	4101016310	Technical Assistance During the Completion of the KO EPRII (Comprehensive Renewal of the Prunéřov II Power Plant) Project
EGP INVEST, spol. s r.o.	4101045836	Seismic Reinforcement of the Supporting Structures – Supervision
EGP INVEST, spol. s r.o.	4101277601	Technical Support of Safe Movement on the Facility's Flat Roofs
EGP INVEST, spol. s r.o.	4101289817	Discharge Piping Reconstruction – Project Documentation
EGP INVEST, spol. s r.o.	4101347823	Agreement on the Plan of Decommissioning of the Dukovany Nuclear Power Plant 2016–2017
EGP INVEST, spol. s r.o.	4101368435	Administrative Building Plan Evaluation
EGP INVEST, spol. s r.o.	4100482486	Elimination of the Excessive Moisture in the Canals and Shafts
EGP INVEST, spol. s r.o.	4101280404	Seismic Reinforcement of the Suspended Cable Canals
EGP INVEST, spol. s r.o.	4101298825	Security System Protection
EGP INVEST, spol. s r.o.	4101329573	Reconstruction of the Switching Room Communication Systems
EGP INVEST, spol. s r.o.	4101330523	Installation of Firm Measuring Points in the Gas Containers

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EGP INVEST, spol. s r.o.	4101335477	Reinforcement of the Machine Room Against External Impacts
EGP INVEST, spol. s r.o.	4101348327	Contract for Work – Reconstruction of the Wardrobe Container Assembly
EGP INVEST, spol. s r.o.	4101361704	Discharge Piping Reconstruction – Supervision
EGP INVEST, spol. s r.o.	4101404328	Reinforcement of the Machine Room Against External Impacts – Calculation Model Update
EGP INVEST, spol. s r.o.	4101406750	Reinforcement of the Machine Room Against External Impacts – Final Assessment Report
EGP INVEST, spol. s r.o.	4101428981	Seismic Reinforcement of the Supporting Structures
EGP INVEST, spol. s r.o.	4101441382	Installation of Firm Measuring Points in the Gas Containers – Supervision
EGP INVEST, spol. s r.o.	4101445277	Security System Protection – Supervision
EGP INVEST, spol. s r.o.	4400035587	Development and Updating of Operating Diagrams and Creation and Updating of Equipment Alphanumerical Data
EGP INVEST, spol. s r.o.	4400035646	Development of Supporting Data for the Piping Inspection Spot Registration
Elektrárna Dětmarovice, a.s.	4100731793	Lease Agreement for Non-Residential Facilities of 2/1/2013
Elektrárna Dětmarovice, a.s.	4100732656	Agreement on the Supply of Thermal Energy of 2/28/2013
Elektrárna Dětmarovice, a.s.	4101397407	Stock Supplies Transfer
Elektrárna Dětmarovice, a.s.	4101378295	Purchase Agreement
Elektrárna Dětmarovice, a.s.	4101302253	Purchase Agreement – Sale of Stock Supplies of 1/4/2016
Elektrárna Dětmarovice, a.s.	4101315647	Purchase Agreement – Sale of Stock Supplies of 1/25/2016
Elektrárna Dětmarovice, a.s.	4101318743	Purchase Agreement – Sale of Stock Supplies of 1/28/2016
Elektrárna Dětmarovice, a.s.	4101380087	Purchase Agreement – Sale of Stock Supplies of 5/9/2016
Elektrárna Dětmarovice, a.s.	4101391679	Purchase Agreement – Sale of Stock Supplies of 5/27/2016
Elektrárna Dětmarovice, a.s.	4101405736	Purchase Agreement – Sale of Stock Supplies of 6/22/2016
Elektrárna Dětmarovice, a.s.	4101444003	Purchase Agreement – Sale of Stock Supplies of 9/6/2016
Elektrárna Dětmarovice, a.s.	4101484669	Purchase Agreement – Sale of Stock Supplies of 11/14/2016
Elektrárna Dětmarovice, a.s.	4400029875	Agreement on the Assignment of Agreement of 2/6/2015, Based on Which the Rights and Obligations Deriving from the Partial Agreement on the Provision of Services Concerning the Technical Protection Systems and Electric Fire Alarm Systems of 3/1/2013 Were Assigned
Elektrárna Dětmarovice, a.s.	4400032921	Agreement on the Provision of Services Concerning Internet Profile Editing and Updating of 12/11/2015
Elektrárna Dětmarovice, a.s.	5600005241	License Agreement on the Provision of the Right to Use Trademarks
Elektrárna Dětmarovice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 9/25/2012
Elektrárna Dětmarovice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/21/2013
Elektrárna Dětmarovice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Dětmarovice, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Dětmarovice, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 12/10/2012
Elektrárna Dětmarovice, a.s.		General Agreement on the Provision of Services Associated with the Assignment of Contracts for the Provision of Supporting Services of 12/29/2015
Elektrárna Dětmarovice, a.s.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 12/10/2012
Elektrárna Dětmarovice, a.s.		Agreement on the Acceptance of Responsibility for Deviation, Deviation Payment Re-Booking, and Regulation Energy of 12/2/2015
Elektrárna Dětmarovice, a.s.		3 Agreements on Technical Compensation for the Provision of Supporting Services of 8/12/2016 and of 9/15/2016
Elektrárna Dětmarovice, a.s.		Agreement on the Provision of Services of 10/1/2012 (Provision of Tax, Personal, Financial, and other Services)
Elektrárna Dětmarovice, a.s.		Agreement on the Recognition of Advisory Services Costs Associated with the EU's Structural Funds of 12/22/2015
Elektrárna Dukovany II, a. s.	4101486029	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Dukovany II, a. s.	4101488233	Non-Residential Area Lease
Elektrárna Dukovany II, a. s.	5600006882	Agreement on the Provision of Services
Elektrárna Dukovany II, a. s.		Agreement on the Subscription of Shares of 12/8/2016
Elektrárna Dukovany II, a. s.		Agreement on the Subscription of Shares of 9/23/2016
Elektrárna Dukovany II, a. s.		Agreement on the Deposit of a Part of the Plant of 9/23/2016
Elektrárna Dukovany II, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 2/2/2016
Elektrárna Dukovany II, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 9/21/2016
Elektrárna Mělník III, a. s.	5600006003	Agreement on the Provision of Services (Website Administration) of 6/1/2015
Elektrárna Mělník III, a. s.	5600003421	Agreement on the Provision of Services of 10/1/2012
Elektrárna Mělník III, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 9/25/2012
Elektrárna Mělník III, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Počerady, a.s.	4100653933	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Počerady, a.s.	4100657233	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Počerady, a.s.	4101134830	Non-Residential Area Lease
Elektrárna Počerady, a.s.	4101368121	Purchase Agreement for Diesel Fuel in Barrels
Elektrárna Počerady, a.s.	4101405939	Purchase Agreement for Oil
Elektrárna Počerady, a.s.	4101413313	Purchase Agreement for Diesel Fuel in Barrels

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Elektrárna Počerady, a.s.	4101451346	Purchase Agreement for Diesel Fuel in Barrels
Elektrárna Počerady, a.s.	4101458862	Purchase Agreement for Diesel Fuel in Barrels
Elektrárna Počerady, a.s.	4101475972	Purchase Agreement for Diesel Fuel in Barrels
Elektrárna Počerady, a.s.	4400021314	Purchase Agreement for Diesel Fuel (Forklifts)
Elektrárna Počerady, a.s.	4400021319	Activities Associated with the Steam-Gas Cycle
Elektrárna Počerady, a.s.	4400021372	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Počerady, a.s.	4400021373	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Počerady, a.s.	4400031242	Rotor Loan
Elektrárna Počerady, a.s.	4400035634	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
Elektrárna Počerady, a.s.	940052_2014	General Agreement on the Provision of Services Associated with the Assignment of Contracts for the Provision of Supporting Services of 12/29/2015
Elektrárna Počerady, a.s.	940074_2013	Agreement on Rework (Agreement Subject: Electric Power Generation and Sale) of 10/1/2012
Elektrárna Počerady, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 8/1/2012
Elektrárna Počerady, a.s.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 8/1/2012
Elektrárna Počerady, a.s.		4 Agreements on Technical Compensation for Provided Supporting Services
Elektrárna Počerady, a.s.	5600004560	License Agreement on the Provision of the Right to Use Trademarks
Elektrárna Počerady, a.s.	940031_2013	General Agreement on the Provision of Services of 5/2/2012
Elektrárna Počerady, a.s.	940041_2014	Agreement on the Issuance of Guarantees of 6/3/2014
Elektrárna Počerady, a.s.	5600005975	Agreement on the Provision of Services - Websites, of 6/24/2015
Elektrárna Počerady, a.s.	940095_2013	Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 4/24/2012
Elektrárna Počerady, a.s.	940096_2013	Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/17/2013
Elektrárna Počerady, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Počerady, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Temelín II, a. s.	4101486083	Supply of Electric Power, Heat, Water/Sewer Fees
Elektrárna Temelín II, a. s.	4101488258	Non-Residential Area Lease
Elektrárna Temelín II, a. s.	5600006881	Agreement on the Provision of Services
Elektrárna Temelín II, a. s.		Agreement on the Subscription of Shares of 12/8/2016
Elektrárna Temelín II, a. s.		Agreement on the Subscription of Shares of 9/23/2016
Elektrárna Temelín II, a. s.		Agreement on the Deposit of a Part of the Plant of 9/23/2016
Elektrárna Temelín II, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 2/2/2016
Elektrárna Temelín II, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 9/21/2016
Elektrárna Tisová, a.s.	4101370030	Purchase Agreement (Ryphalgan)
Elektrárna Tisová, a.s.	4101481467	Purchase Agreement on Coal Supplies During the 10-12/2016 Transitional Period
Elektrárna Tisová, a.s.	4400032395	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
Elektrárna Tisová, a.s.	5600006530	Supply, Assembly, and Service of Systems of Technical Protection and Electric Fire Alarm Systems
Elektrárna Tisová, a.s.		Agreement on Rework (Agreement Subject: Electric Power Generation and Sale) of 9/30/2015
Elektrárna Tisová, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 10/1/2015
Elektrárna Tisová, a.s.		General Agreement on the Provision of Services Associated with the Assignment of Contracts for the Provision of Supporting Services of 12/30/2015
Elektrárna Tisová, a.s.		2 Agreements on Technical Compensation for the Provision of Supporting Services of 7/21/2016 and of 8/23/2016
Elektrárna Tisová, a.s.	4101283665	Agreement on Non-Residential Area Lease
Elektrárna Tisová, a.s.	4400032332	Agreement on the Provision of Services
Elektrárna Tisová, a.s.	5600006820	License Agreement on the Provision of the Right to Use Trademarks
Elektrárna Tisová, a.s.	4101284956	Agreement on Thermal Energy Supply
Elektrárna Tisová, a.s.	5600005986	Agreement on Termination of the Agreement on Provision of Services of 12/15/2016
Elektrárna Tisová, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 9/26/2012
Elektrárna Tisová, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 9/22/2015
Elektrárna Tisová, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Tisová, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Elektrárna Tisová, a.s.		Agreement on the Settlement of Mutual Obligations of 7/8/2016
Elektrownie Wiatrowe Lubiechowo sp. z o.o. w likwidacji	2012/5	Loan Facility Agreement of 3/9/2012
Energetické centrum s.r.o.	4101232014	Partial Payment of Vehicle Costs
Energetické centrum s.r.o.	5600004462	License Agreement on the Provision of the Right to Use Trademarks
Energetické centrum s.r.o.	5600007320	Agreement on the Provision of Services
Energetické centrum s.r.o.	2011/04	Agreement on Credit Facility of 4/29/2011
Energetické centrum s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 5/28/2012

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Energetické centrum s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Energie2 Prodej, s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 10/7/2016
Energocentrum Vítkovice, a. s.	4101312065	Agreement on Electric Power Supplies
Energocentrum Vítkovice, a. s.	4400033658	Agreement on the Provision of Services
Energocentrum Vítkovice, a. s.	4400033721	Agreement on the Servicing of Technical Protection and Electric Fire Alarm Systems
Energocentrum Vítkovice, a. s.	5600006470	Agreement on the Provision of Services
Energocentrum Vítkovice, a. s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 1/4/2016
Energocentrum Vítkovice, a. s.		Allowances Appendix (Power) to the General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 1/4/2016
Energocentrum Vítkovice, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 5/25/2015
Energocentrum Vítkovice, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 12/8/2015
Energocentrum Vítkovice, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Energocentrum Vítkovice, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Energocentrum Vítkovice, a. s.		Agreement on the Settlement of Mutual Obligations of 12/6/2016
Energocentrum Vítkovice, a. s.		Agreement on Rework, as Specified in Amendment No. 1, of 12/21/2015
Energotrans, a.s.	4100698304	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4100814657	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4100814690	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4101023452	Non-Residential Area Lease
Energotrans, a.s.	4101023453	Non-Residential Area Lease
Energotrans, a.s.	4101026059	Non-Residential Area Lease
Energotrans, a.s.	4101046106	Non-Residential Area Lease
Energotrans, a.s.	4101082607	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4101094512	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4101107641	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4101109868	Supply of Electric Power, Heat, Water/Sewer Fees
Energotrans, a.s.	4400024735	Laboratory Equipment Lease
Energotrans, a.s.	4400028181	Agreement on the Provision of Services – Ash Laboratory Analyses
Energotrans, a.s.	4400028321	Technical Support – Inspections of the Chemical Modes of the Blocks and Desulfurisation
Energotrans, a.s.	4400028643	Dining Facility Joint Use
Energotrans, a.s.	4400029382	Agreement on the Provision of Services
Energotrans, a.s.	4400030222	Support of Pumping Station No. 2 and the Inflow Facility
Energotrans, a.s.	4400032588	Operating Mechanics Activities
Energotrans, a.s.	4400034019	Raw Water Supplies
Energotrans, a.s.	4400035463	Small Metal Works
Energotrans, a.s.	5600004960	Agreement on the Joint Use of the Dining Facilities
Energotrans, a.s.	5600006460	Pump Station Lease
Energotrans, a.s.	5600006730	The Pump Station Equipment Operation, Maintenance, and Inspections, and the Cleaning and Management of Its Fire Extinguishers
Energotrans, a.s.		12 Agreements on Technical Compensation for Provided Supporting Services
Energotrans, a.s.		Agreement on Responsibility Acceptance and Re-Booking of Deviation Payment of 12/22/2015
Energotrans, a.s.		General Agreement on the Provision of Services Associated with the Assignment of Contracts for the Provision of Supporting Services of 12/29/2015
Energotrans, a.s.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 6/1/2010
Energotrans, a.s.	4101295076	Purchase Agreement (Coal)
Energotrans, a.s.	4400028243	Agreement on the Provision of Services of 6/29/2012
Energotrans, a.s.	69969800_1	Agreement on Thermal Energy Supply
Energotrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 7/26/2012
Energotrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 5/22/2014
Energotrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Energotrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Energotrans, a.s.		Agreement on Electric Power Supplies
ENESA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 5/16/2016
ENESA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 5/16/2016
ENESA a.s.		Agreement on the Issuance of Guarantees of 6/22/2016
ENESA SK, Organization Unit		Mutual Credit Facility Agreement of 8/25/2016
EVČ s.r.o.	4400022808	Heat-Exchanger Station Repairs and Maintenance
EVČ s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 1/26/2015

Company Name (Contracting Party)	Agreement File Number	Agreement Name
EVČ s.r.o.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
EVČ s.r.o.		Agreement on the Issuance of Guarantees of 8/17/2015
Farma Wiatrowa Leśce sp. z o.o. w likwidacji (in liquidation)	2012/6	Loan Facility Agreement of 3/9/2012
Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o. w likwidacji (in liquidation)	2012/7	Loan Facility Agreement of 3/9/2012
in PROJEKT LOUNY ENGINEERING s.r.o.	4100905487	Contract for Work – Construction Completion Documentation Processing
in PROJEKT LOUNY ENGINEERING s.r.o.	4101044060	Contract for Work – Completion of Project Documentation for Construction Permit
in PROJEKT LOUNY ENGINEERING s.r.o.	4101101195	Completion of Simplified Documentation for Drainage Water Sewer System and Construction Facility
in PROJEKT LOUNY ENGINEERING s.r.o.	4101260565	Completion of Documentation for the Solution of a Cast Granulate Storage Container
in PROJEKT LOUNY ENGINEERING s.r.o.	4101290230	Contract for Work – Completion of Documentation for the Reconstruction of the Compressor Station Cooling System Reconstruction
in PROJEKT LOUNY ENGINEERING s.r.o.	4101353449	Dry Sorbent Dosing Technology
in PROJEKT LOUNY ENGINEERING s.r.o.	4101371908	Documentation Modification – Land Reclamation after the Railway Corridor Foundations Removal
in PROJEKT LOUNY ENGINEERING s.r.o.	4101373881	Project Implementation Documentation – Reclamation of the Panský les Wastepond
in PROJEKT LOUNY ENGINEERING s.r.o.	4101384226	Project Documentation Completion – Reclamation of the Wastepond Foreland Areas
in PROJEKT LOUNY ENGINEERING s.r.o.	4101386279	Project Documentation Completion
in PROJEKT LOUNY ENGINEERING s.r.o.	4101389893	Project Documentation Completion – Severní Lom Reclamation
in PROJEKT LOUNY ENGINEERING s.r.o.	4101442729	Project Documentation Completion – Container Building Optimization
in PROJEKT LOUNY ENGINEERING s.r.o.	4101454997	Supervision – Container Building
in PROJEKT LOUNY ENGINEERING s.r.o.	4101455970	Reconstruction of the Technological Sewage Water Pumps Including the Sewage Water Pump Facility
in PROJEKT LOUNY ENGINEERING s.r.o.	4101463853	Engineering-Geological Survey
in PROJEKT LOUNY ENGINEERING s.r.o.	4101483949	Documentation Completion in Order to Determine a Geodetic Focus (Fučík)
in PROJEKT LOUNY ENGINEERING s.r.o.	4101483953	Completion of Documentation for Construction Completion as per the Solutions of the K2 and K3 Containers for Cast Granulate Storage
in PROJEKT LOUNY ENGINEERING s.r.o.	4101494481	Completion of the Fučík Wastepond Visualization
in PROJEKT LOUNY ENGINEERING s.r.o.	4101501375	Contract for Work – Completion of an Implementation Project for the Filling of the Depositing Containers with Cast Granulate
in PROJEKT LOUNY ENGINEERING s.r.o.	4400033417	Stable Calculation of the Operating Slope from the Stodola Storage Site Deposit
in PROJEKT LOUNY ENGINEERING s.r.o.	4400034145	Technical Assistance – Storage of Secondary Energy Products in a Dump
in PROJEKT LOUNY ENGINEERING s.r.o.	4400034362	Update of the Process of Storing Secondary Energy Products in the Stodola Storage Site Area
in PROJEKT LOUNY ENGINEERING s.r.o.	4400035382	Documentation Completion in Order to Identify Optimization Measures for the Container Construction
in PROJEKT LOUNY ENGINEERING s.r.o.	4400035396	Update of the Process of Storing Secondary Energy Products in the Severní Lom Site Area
in PROJEKT LOUNY ENGINEERING s.r.o.	4400036219	Completion of Handling and Operating Instructions for the Stilling Tank, Including Its Drainage Ditch
in PROJEKT LOUNY ENGINEERING s.r.o.	2015/UN/DS/07594	General Agreement on Design Activities of 1/22/2016
Inven Capital, investiční fond, a.s.	5600005630	License Agreement on Provision of the Right to Use Trademarks
Inven Capital, investiční fond, a.s.	5600005950	Agreement on the Provision of Services of 5/26/2015
Inven Capital, investiční fond, a.s.	5600005989	Agreement on the Provision of Services – Media Services of 6/18/2015
Inven Capital, investiční fond, a.s.	5600007217	Agreement on Authorizing Another Party to Complete Individual Activities that Include Investment Fund Administration (Internal Audit Authorization) of 5/31/2016
Inven Capital, investiční fond, a.s.	2015/2	Contract on Loan Arrangements of 7/1/2015, as Amended on 9/30/2016
Inven Capital, investiční fond, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 9/23/2013
Inven Capital, investiční fond, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 6/23/2015
Inven Capital, investiční fond, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Inven Capital, investiční fond, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Inven Capital, investiční fond, a.s.		Loan Agreement of 9/12/2016

Company Name (Contracting Party)	Agreement File Number	Agreement Name
Inven Capital, investiční fond, a.s.		Affidavit on the Debt Existence of 4/28/2016
Inven Capital, investiční fond, a.s.		Agreement on Debt Offsetting of 4/28/2016
Inven Capital, investiční fond, a.s.		Agreement on the Subscription of Shares of 4/28/2016
Inven Capital, investiční fond, a.s.		Affidavit on the Debt Existence of 9/16/2016
Inven Capital, investiční fond, a.s.		Agreement on Debt Offsetting of 9/16/2016
Inven Capital, investiční fond, a.s.		Agreement on the Subscription of Shares of 9/16/2016
Kongresové centrum Praha, a.s.	4101340467	Lease Agreement
Kongresové centrum Praha, a.s.	4101471394	Agreement on the Lease of Non-Residential Areas and Catering Services
Kongresové centrum Praha, a.s.	4101406914	Agreement on Non-Residential Area Lease
Kongresové centrum Praha, a.s.	4101407275	Agreement on Catering Services
LOMY MOŘINA spol. s r.o.	216964	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	216983	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	217393	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	4101294991	Agreement on Particulate Limestone Supplies to the New Source at the Ledvice Power Plant
LOMY MOŘINA spol. s r.o.	4101297620	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	4101351951	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	4101406871	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	4101456862	Agreement on Limestone Supplies
LOMY MOŘINA spol. s r.o.	4101464894	Agreement on Limestone Supplies
M.W. Team Invest S.R.L.	2013/2	Loan Facility Agreement
M.W. Team Invest S.R.L.		Compensation Agreement of 12/17/2010
M.W. Team Invest S.R.L.		Termination Agreement of 1/22/2016 Concerning the Compensation Agreement of 12/17/2010
MARTIA a.s.	4101315911	Revision of the Electrical Installations
MARTIA a.s.	4101328729	Completion of Protocols on External Impacts Determination
MARTIA a.s.	4101338225	Lighting Conductor Inspection
MARTIA a.s.	4101341496	Upgrade of Heat-Exchangers
MARTIA a.s.	4101352315	Renewal
MARTIA a.s.	4101382694	Washing Box Inspection
MARTIA a.s.	4101385212	Repair of the Vrané Waterworks Lightning Conductor
MARTIA a.s.	4101399118	Project Documentation Completion
MARTIA a.s.	4101433076	Electrical Installation Renewal
MARTIA a.s.	4101473847	Modernization of the Switchboard Vault
MARTIA a.s.	4400024993	Pump Station Operation
MARTIA a.s.	4400025753	Securing of the Logical Unit Repairs and Maintenance
MARTIA a.s.	4400026085	Securing of the Logical Unit Repairs and Maintenance
MARTIA a.s.	4400027337	Securing of the Logical Unit Repairs and Maintenance
MARTIA a.s.	4400028640	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400029234	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400029300	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400032201	Operating Mechanics Activities
MARTIA a.s.	4400032283	Operating Mechanics Activities
MARTIA a.s.	4400032307	Operating Mechanics Activities
MARTIA a.s.	4400032347	Operating Mechanics Activities
MARTIA a.s.	4400032349	Operating Mechanics Activities
MARTIA a.s.	4400033285	Generator Rotor Replacement
MARTIA a.s.	4400033366	Maintenance and Repairs
MARTIA a.s.	4400033368	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400033369	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400033391	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400033392	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400033672	Agreement on the Provision of Services of Technical Control Information Systems
MARTIA a.s.	4400034300	Completion of Inspections, Checks, and Revisions of Restricted Electrical Equipment and Lightning Conductors
MARTIA a.s.	4400034737	Technology Lubrication
MARTIA a.s.	4400034915	Repair of the Rotary Air Heater Rotor
MARTIA a.s.	4400035030	Securing the Equipment Repairs and Maintenance
MARTIA a.s.	4400035120	Cable Replacement
MARTIA a.s.	4400035514	Equipment Repair and Maintenance
MARTIA a.s.	4400035535	Generator Switch Maintenance
MARTIA a.s.	4400035697	Replacement of Level Sensors in Well Draft Tubes
MARTIA a.s.	4400035742	Equipment Repair and Maintenance
MARTIA a.s.	4400036252	Equipment Repair and Maintenance
MARTIA a.s.	4400036253	Equipment Repair and Maintenance
MARTIA a.s.	5600005590	Agreement on the Assignment of the Agreement on Cooperation During Operation Support
MARTIA a.s.	5600005620	Purchase Agreement (Diesel Fuel)
MARTIA a.s.	5600006810	Purchase Agreement (Diesel Fuel)
MARTIA a.s.	4400035208	Hot-Water Pipe Complaint Repair
MARTIA a.s.	5600006110	Agreement on the Provision of Services

Company Name (Contracting Party)	Agreement File Number	Agreement Name
MARTIA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 5/22/2014
MARTIA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 5/22/2014
MARTIA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
MARTIA a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
MARTIA a.s.		Agreement on the Issuance of Guarantees of 6/17/2010, as Amended
OSC, a.s.	90002132	Contract for Work
OSC, a.s.	90181150	Terminal Service
OSC, a.s.	4100918614	Comprehensive Upgrade of the Simulator Models
OSC, a.s.	4101087373	Simulator Modification
OSC, a.s.	4101166515	Simulator Modification
OSC, a.s.	4101170127	Incorporation of the Primary Production Unit Changes into the Current Simulator Model
OSC, a.s.	4101188145	Modifications of the Main Circulation Pumps Protection
OSC, a.s.	4101188571	Information on Below-Limit Levels
OSC, a.s.	4101188656	Pump Algorithm Change
OSC, a.s.	4101188690	Level Change
OSC, a.s.	4101189249	Change of the Air Temperature Alarm Levels
OSC, a.s.	4101189310	Elimination of the Control Circuit Oscillations
OSC, a.s.	4101203963	Position Indicator Signaling Cancellation
OSC, a.s.	4101217559	Contract for Work – Algorithm Modification
OSC, a.s.	4101217698	Security System Modernization
OSC, a.s.	4101260596	Generational Renewal of the RTISZ System (Real Time/Source Information System)
OSC, a.s.	4101286409	Change of the Turbo-Generator Over-Speed Protection Setting
OSC, a.s.	4101286454	Alarming Optimization
OSC, a.s.	4101286455	Position Indicator Replacement
OSC, a.s.	4101316751	Re-Implementation
OSC, a.s.	4101319245	Certification
OSC, a.s.	4101327424	Certification
OSC, a.s.	4101328324	Reduction Station
OSC, a.s.	4101333228	Certification
OSC, a.s.	4101362523	Generational Renewal of the Control Units of the Dalešice Power Plant
OSC, a.s.	4101386094	Connection Concept
OSC, a.s.	4101406238	Simulator
OSC, a.s.	4101425079	Temperature Processing Modification
OSC, a.s.	4101425113	Alarm Addition
OSC, a.s.	4101440415	Certification
OSC, a.s.	4101447592	Certification
OSC, a.s.	4101457112	Generational Renewal of the RTISZ System (Real Time/Source Information System)
OSC, a.s.	4101457522	Generational Renewal of the RTISZ System (Real Time/Source Information System)
OSC, a.s.	4101459272	Generational Renewal of the RTISZ System (Real Time/Source Information System)
OSC, a.s.	4101493171	Failure Signal Addition
OSC, a.s.	4101496863	Temperature Measurement Modification to Improve
OSC, a.s.	4101497022	Replacement of the Oil Tube Coolers
OSC, a.s.	4101498461	Measurement Cancellation
OSC, a.s.	4101498566	Change of the Discharge Pressure “Decision-Making” Alarm Values
OSC, a.s.	4101498570	Section Switchboard
OSC, a.s.	4101498911	Alarming Optimization
OSC, a.s.	4101499056	Replacement of the Current Humidification System
OSC, a.s.	4101499169	Optimization of the Limiting Control Acting Speed
OSC, a.s.	4101499252	Contract for Work – System Modification
OSC, a.s.	4101499279	Creation of Alarms and Alarm Setting Change
OSC, a.s.	4400000540	Terminal Service
OSC, a.s.	4400016749	Terminal Service
OSC, a.s.	4400035567	Control Circuit Adjustment
Ovidiu Development S.R.L.	CZWOD5007	General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 3/1/2014
Ovidiu Development S.R.L.		ISDA 2002 Master Agreement of 12/20/2013
Ovidiu Development S.R.L.		Agreement Concerning the Sale and Purchase of Levy Exemption Certificates and Associated Guarantees of Origin of 4/13/2016 and 12/1/2016
Ovidiu Development S.R.L.	2009/11	Loan Facility Agreement
Ovidiu Development S.R.L.		Agreement of the Issuance of Guarantees of 4/10/2013
Ovidiu Development S.R.L.	2016/2	Loan Facility Agreement
PRODECO, a.s.	4400021765	Agreement on the Provision of Services
PRODECO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 10/18/2013
PRODECO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 10/18/2013

Company Name (Contracting Party)	Agreement File Number	Agreement Name
PRODECO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
PRODECO, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
PRODECO, a.s.		Agreement on Issuance of Guarantees of 9/1/2013
Revitrans, a.s.	4100831696	Subsequent Reclamation of the Letiště Dump
Revitrans, a.s.	5600005760	Purchase Contract (Diesel Fuel)
Revitrans, a.s.	4101033234	Contract for Work – Building of Blocks for Secondary Energy Product Storage
Revitrans, a.s.	4400021763	Agreement on the Provision of Services
Revitrans, a.s.	LE/00004195	Contract on Water Surface Sale
Revitrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 10/18/2013, Including Amendment No. 1
Revitrans, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Sakarya Elektrik Dağıtım A.Ş.		Compensation Agreement of 5/20/2016 (Agreement Subject: Reward for Provided Guarantee)
Sakarya Elektrik Dağıtım A.Ş.		Compensation Agreement of 12/6/2010 (Agreement Subject: Reward for Provided Guarantee)
Sakarya Elektrik Perakende Satış A.Ş.		Compensation Agreement of 5/20/2016 (Agreement Subject: Reward for Provided Guarantee)
SD - Kolejová doprava, a.s.	231232	Train Operation
SD - Kolejová doprava, a.s.	4100660503	Mandate Agreement for the Securing of Coordination of Coal and Sorbent Transportation to the Power Plants of ČEZ, a. s.
SD - Kolejová doprava, a.s.	4101301110	Agreement on Transportation of Coal to Mělník Power Plant
SD - Kolejová doprava, a.s.	4101317315	Agreement on Transportation of Coal to Mělník Power Plant
SD - Kolejová doprava, a.s.	4101341606	Measuring of the Coal and Limestone Supplies
SD - Kolejová doprava, a.s.	4101375642	Coal Transportation and Unloading
SD - Kolejová doprava, a.s.	4101464848	Agreement on the Transportation of Limestone to the Tušimice Power Plant from the Tetín Quarry
SD - Kolejová doprava, a.s.	4400000386	Mandate Agreement – Railway Operation
SD - Kolejová doprava, a.s.	4400004959	Coal Handling Technology Operation
SD - Kolejová doprava, a.s.	4400004993	Coal Handling Technology Operation
SD - Kolejová doprava, a.s.	4400004994	Train Operation and Maintenance
SD - Kolejová doprava, a.s.	4400013836	Fuel Storage Site Thermography Measuring
SD - Kolejová doprava, a.s.	4400016432	Operating a Railway and Railway Transportation, Coal Handling, Fuel Storage Site, and Other Activities
SD - Kolejová doprava, a.s.	4400017554	Fuel Storage Site Thermography Measuring
SD - Kolejová doprava, a.s.	4400017901	Agreement on the Operation of Railway and Train Transportation
SD - Kolejová doprava, a.s.	4400020004	Agreement on Railway Goods Transportation
SD - Kolejová doprava, a.s.	4400027228	Operating a Railway and Railway Transportation, Coal Handling, Fuel Storage Site, and Other Activities
SD - Kolejová doprava, a.s.	4400029262	Powdered Limestone Handling at the Pruněv II Power Plant
SD - Kolejová doprava, a.s.	4400030786	Agreement on Coal Handling and Transportation
SD - Kolejová doprava, a.s.	4491020378	Train Operation and Maintenance
SD - Kolejová doprava, a.s.	5600000852	Diesel Fuel Sale
SD - Kolejová doprava, a.s.	5600000910	Diesel Fuel Sale
SD - Kolejová doprava, a.s.	5600001981	Agreement on the Transport Road Use
SD - Kolejová doprava, a.s.	5600002812	Diesel Fuel Sale
SD - Kolejová doprava, a.s.	5600004820	Coal Handling
SD - Kolejová doprava, a.s.	4400009750	Agreement on the Provision of Services
SD - Kolejová doprava, a.s.	EPO/2011/021	Agreement on Electric Energy Supply
SD - Kolejová doprava, a.s.	TU/00233248	Agreement on Electric Power Supply and Consumption
SD - Kolejová doprava, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 10/18/2013
SD - Kolejová doprava, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 10/18/2013
SD - Kolejová doprava, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
SD - Kolejová doprava, a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Severočeské doly a.s.	4100038885	Subsequent Reclamation of the Letiště Dump
Severočeské doly a.s.	4100314894	Supply of Electric Power, Heat, Water/Sewer Fees
Severočeské doly a.s.	4100670482	Supply of Electric Power, Heat, Water/Sewer Fees
Severočeské doly a.s.	4100684195	Supply of Electric Power, Heat, Water/Sewer Fees
Severočeské doly a.s.	4100979534	Contract for the Provision of IT and Telecommunication Services
Severočeské doly a.s.	4101336660	Entrance Cards for the Premises of Severočeské doly
Severočeské doly a.s.	4400027605	Supply of Electric Power, Heat, Water/Sewer Fees
Severočeské doly a.s.	4400031323	Agreement on the Provision of Services
Severočeské doly a.s.	4100981693	Parking Spot Lease
Severočeské doly a.s.	4101325523	Non-Residential Areas Lease
Severočeské doly a.s.	90181235	Lease Agreement
Severočeské doly a.s.	90256035	Lease Agreement
Severočeské doly a.s.	4101289554	Coal Supply
Severočeské doly a.s.	4101289557	Coal Supply

Company Name (Contracting Party)	Agreement File Number	Agreement Name
Severočeské doly a.s.	4101289570	Coal Supply
Severočeské doly a.s.	4101289573	Coal Supply
Severočeské doly a.s.	4101289574	Coal Supply
Severočeské doly a.s.	4101295084	Coal Supply
Severočeské doly a.s.	4101295086	Coal Supply
Severočeské doly a.s.	4101295985	Coal Supply
Severočeské doly a.s.	4101296829	Coal Supply
Severočeské doly a.s.	4101298507	Coal Supply
Severočeské doly a.s.	4101300537	Coal Supply
Severočeské doly a.s.	4400001270	Lease Agreement
Severočeské doly a.s.	4400009305	Agreement on the Provision of Services
Severočeské doly a.s.	4400027879	Land Lease Agreement
Severočeské doly a.s.	4400027900	Land Lease Agreement
Severočeské doly a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 11/30/2010
Severočeské doly a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online EUR Cash-Pooling for the Business-Linked Group of 2/23/2012
Severočeské doly a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Severočeské doly a.s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Severočeské doly a.s.		2 Agreements on Bill Trading and Bill Deposits of 8/1/2007 and 4/6/2010
Severočeské doly a.s.		Agreement on Administration of Assets in Linked Accounts of 8/24/2007
Severočeské doly a.s.		Agreement on Contracting Entities' Coordinated Action in the Award of a Public Contract of 8/11/2015
Shared Services Albania Sh.A.		Documents Storage Agreement of 5/25/2016 (Agreement Subject: Document Archiving)
ŠKODA PRAHA a.s.	4101353504	Completion of Supporting Information on Raw Landscaping and 3D Visualizations for EIA Documentation (Environmental Impact Assessment)
ŠKODA PRAHA a.s.		Lease Agreement of 3/11/2015
ŠKODA PRAHA a.s.	4400009303	Agreement on the Provision of Services
ŠKODA PRAHA Invest s.r.o.	30004696	Technical Support of Pre-Project Preparation
ŠKODA PRAHA Invest s.r.o.	30029385	Supply of Electric Power, Heat, Water/Sewer Fees
ŠKODA PRAHA Invest s.r.o.	4100719207	Increase of the Post-Accident Hydrogen Liquidation Performance
ŠKODA PRAHA Invest s.r.o.	4100813391	Reconstruction of the Raw Water Supply Systems
ŠKODA PRAHA Invest s.r.o.	4101274041	Loan – Equipment and Facility Documentation
ŠKODA PRAHA Invest s.r.o.	4101380444	Ultimate Heat Sink – TVD Costs (Critical Technical Water)
ŠKODA PRAHA Invest s.r.o.	4101424051	Replacement of Defective Piping Segments
ŠKODA PRAHA Invest s.r.o.	4400005523	Project Reserves Utilization
ŠKODA PRAHA Invest s.r.o.	4400020923	Fire-Safety Solutions
ŠKODA PRAHA Invest s.r.o.	4400029075	Reconstruction of the Raw Water Supply Systems
ŠKODA PRAHA Invest s.r.o.	4400032635	Completion of Works Necessary for Damage Elimination
ŠKODA PRAHA Invest s.r.o.	4400034637	Project Database Data Update
ŠKODA PRAHA Invest s.r.o.		Agreement on the Provision of a Monetary Bonus in Addition to the Registered Capital of 11/25/2016
ŠKODA PRAHA Invest s.r.o.		5 Agreements on Temporary Employee Assignments
ŠKODA PRAHA Invest s.r.o.	5600006210	General Agreement on the Provision of External Activities
ŠKODA PRAHA Invest s.r.o.	4400005534	Contract for Work – Construction General Completion
ŠKODA PRAHA Invest s.r.o.	4100493455	Contract for Work – Construction General Completion
ŠKODA PRAHA Invest s.r.o.	4100268641	Contract for Work – Construction General Completion
ŠKODA PRAHA Invest s.r.o.	2016/4	Agreement on Credit Facility
ŠKODA PRAHA Invest s.r.o.	4400009304	Agreement on the Provision of Services
ŠKODA PRAHA Invest s.r.o.		Agreement on the Issuance and Provision of Guarantee of 6/17/2008, as Amended
TEC Varna EAD		Termination Agreement of 5/18/2010 (Agreement Subject: Delivery of Quotas for Emission Allowances)
Telco Pro Services, a. s.	4100771352	Non-Residential Area Lease
Telco Pro Services, a. s.	4100787567	Non-Residential Area Lease
Telco Pro Services, a. s.	4100798774	Supply of Electric Power, Heat, Water/Sewer Fees
Telco Pro Services, a. s.	4100947138	Non-Residential Area Lease
Telco Pro Services, a. s.	4101441573	Agreement on Cyber Security
Telco Pro Services, a. s.	4101493125	Calibration of Measuring Instruments
Telco Pro Services, a. s.	4400029635	Agreement on Agreement Assignment (Delivery, Assembly and Service of Technical Protection Systems and Electric Fire Alarm System)
Telco Pro Services, a. s.	5600004380	License Agreement on the Provision of the Right to Use Trademarks
Telco Pro Services, a. s.	4400023113	Agreement on the Provision of Services
Telco Pro Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online Cash-Pooling for the Business-Linked Group of 1/22/2013
Telco Pro Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on the Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 7/29/2013
Telco Pro Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Flexi Online CZK Cash-Pooling for the Business-Linked Group of 1/28/2016
Telco Pro Services, a. s.		Agreement on Mutual Credit Facilities in Relation to the Agreement on Provision of the Real Reciprocal Multilevel Flexi Online EUR Cash-Pooling for the Business-Linked Group of 1/28/2016
Telco Pro Services, a. s.		The Mutual Credit Facility Agreement of 7/29/2013

Company Name (Contracting Party)	Agreement File Number	Agreement Name
TMK Hydroenergy Power S.R.L.		General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 11/28/2014
Tomis Team S.A.	2013/1	Loan Facility Agreement
Tomis Team S.A.		Agreement of the Issuance of Guarantees of 4/10/2013
Tomis Team S.A.		Compensation Agreement of 12/17/2010 (Agreement Subject: Reward for provided Guarantee)
Tomis Team S.A.	2016/1	Loan Facility Agreement
Tomis Team S.A.	2016/3	Loan Agreement
Tomis Team S.A.		Termination Agreement of 1/22/2016 for the Compensation Agreement of 12/17/2010
Tomis Team S.A.	CZWTT6714	General Agreement Concerning the Delivery and Acceptance of Electricity (EFET) of 3/1/2014
Tomis Team S.A.		ISDA 2002 Master Agreement of 12/20/2013
Tomis Team S.A.		Agreements Concerning the Sale and Purchase of Levy Exemption Certificates and Associated Guarantees of Origin of 4/13/2016 and 12/1/2016
ÚJV Řež, a. s.	90006081	Monitoring
ÚJV Řež, a. s.	90017899	SW Program Maintenance
ÚJV Řež, a. s.	4100668390	Documentation Completion
ÚJV Řež, a. s.	4100941119	Preparation of Supporting Information and Data in Support of the Project
ÚJV Řež, a. s.	4100943549	Replacement of the Current Permanently Installed Containment Measuring Systems
ÚJV Řež, a. s.	4101010092	Completion of Analyses
ÚJV Řež, a. s.	4101105397	Completion of Analyses and Processing of Sections of the Pre-operation Safety Report for the Nuclear Fuel Replacement Permit
ÚJV Řež, a. s.	4101105451	Securing of Participation in and Transfer of Results of the Studsvik Cladding Integrity Project 2015–2019 Project of the Organization for Economic Co-operation and Development
ÚJV Řež, a. s.	4101107834	Securing of Participation in and Transfer of Results of the Halden Reactor Project 2015–2017 Project of the Organization for Economic Co-operation and Development
ÚJV Řež, a. s.	4101165741	Completion of Methodical Approaches for Safety Analysis Completion
ÚJV Řež, a. s.	4101187594	Modernization of the Containment Hermetic Seals
ÚJV Řež, a. s.	4101201683	Processing of the Supporting Information of ZÚR and NTK (ZÚR – Territorial Development Principles; NTK – Transport of Oversized Components)
ÚJV Řež, a. s.	4101204436	Detailed Engineering-Geological Survey
ÚJV Řež, a. s.	4101204439	Monitoring in the Jihlava River Basin
ÚJV Řež, a. s.	4101204464	Detailed Mathematical Model
ÚJV Řež, a. s.	4101207277	Completion of Supporting Information for the EUR Update (European Utility Requirements)
ÚJV Řež, a. s.	4101225712	Paleoseismological Survey
ÚJV Řež, a. s.	4101225716	Jihlava Quality Model
ÚJV Řež, a. s.	4101234645	Completion of Analyses, EIA Update (Environment Impact Assessment)
ÚJV Řež, a. s.	4101235434	Technical Assistance – Possibility of Additional Desulfurisation
ÚJV Řež, a. s.	4101236595	Containment Reinforcement - Post-accident Hydrogen Liquidation
ÚJV Řež, a. s.	4101237642	Resealing of the Temperature Measuring Box Node
ÚJV Řež, a. s.	4101301216	Purchase of Pump Spare Parts
ÚJV Řež, a. s.	4101303571	Agreement on Cooperation in the Area of Joint Supplier Audit Completion
ÚJV Řež, a. s.	4101308877	Completion of Engineering-Geological Survey
ÚJV Řež, a. s.	4101330604	Adhesive Sealant Supply
ÚJV Řež, a. s.	4101355790	Technical Assistance
ÚJV Řež, a. s.	4400032881	General Agreement on Technical Assistance
ÚJV Řež, a. s.	4101363999	Noise Measuring, Waste Management
ÚJV Řež, a. s.	4101365893	Addition of a Groundwater Monitoring Network
ÚJV Řež, a. s.	4101369504	Professional Assistance During EIA (Environment Impact Assessment)
ÚJV Řež, a. s.	4101383478	Noise, Detailed Dispersion, and Socio-Economic Study
ÚJV Řež, a. s.	4101386552	Documentation Modification
ÚJV Řež, a. s.	4101387226	EIA Support Study (Environment Impact Assessment)
ÚJV Řež, a. s.	4101389356	Level Monitoring
ÚJV Řež, a. s.	4101418561	Hydro-Geological Monitoring Completion
ÚJV Řež, a. s.	4101419972	Project Documentation – Supervision (Insufficient Capacities of the Distribution Point Work Area)
ÚJV Řež, a. s.	4101424636	Sealant Supply
ÚJV Řež, a. s.	4101425092	Land Engineering-Geological Survey
ÚJV Řež, a. s.	4101437864	Completion of Implementation Documentation – Compressed Air
ÚJV Řež, a. s.	4101458253	Purchase Agreement
ÚJV Řež, a. s.	4101464871	Sealant Supply
ÚJV Řež, a. s.	4101466744	The Issue of Emissions in Flue Gases
ÚJV Řež, a. s.	4101481052	Solution of Non-Conforming Fire Safety Equipment
ÚJV Řež, a. s.	4400001861	Containment Works
ÚJV Řež, a. s.	4400007946	Verification of the Concentrate Thermal Stability
ÚJV Řež, a. s.	4400016285	Agreement on Securing Technical Support
ÚJV Řež, a. s.	4400017907	General Agreement on Technical Assistance
ÚJV Řež, a. s.	4400029872	Evaluation of Calculation Programs
ÚJV Řež, a. s.	4400034008	Provision of Equipment Inspections
ÚJV Řež, a. s.	4400034161	Technical Support of Heat Supply
ÚJV Řež, a. s.	4400034418	Repair of Defects of Tensometric Measurements of the Containment Pre-Tensioning System
ÚJV Řež, a. s.	4400034719	Floor Capacity Analysis
ÚJV Řež, a. s.	4400034870	Contract for Work – Liquidation of Ionizing Radiation Sources

Company Name (Contracting Party)	Agreement File Number	Agreement Name
ÚJV Řež, a. s.	5600005240	Agreement on Technical Assistance, Provision of Services and/or Completion of Activities
Ústav aplikované mechaniky Brno, s.r.o.	4100067835	Modernization of Rotors
Ústav aplikované mechaniky Brno, s.r.o.	4100142728	Expert Assessment of the Boilers' Residual Lifetime
Ústav aplikované mechaniky Brno, s.r.o.	4100830993	Implementation of the RATING Methodology
Ústav aplikované mechaniky Brno, s.r.o.	4101281154	Comprehensive Lifetime Assessment
Ústav aplikované mechaniky Brno, s.r.o.	4101320144	Project Documentation Completion
Ústav aplikované mechaniky Brno, s.r.o.	4101371837	Measuring (Important Technical Water Systems)
Ústav aplikované mechaniky Brno, s.r.o.	4101473274	Assessment of Weld Joint Defects Permissibility
Ústav aplikované mechaniky Brno, s.r.o.	4101473819	Sealing Modification
Ústav aplikované mechaniky Brno, s.r.o.	4400006180	Continuous Evaluation of Low-Cycle Fatigue
Ústav aplikované mechaniky Brno, s.r.o.	4400030293	Technical Assistance in Troubleshooting
Ústav aplikované mechaniky Brno, s.r.o.	4400031025	Monitoring of Horizontal Piping Temperatures
Ústav aplikované mechaniky Brno, s.r.o.	4400031364	Assessment of the Piping Repair Technology
Ústav aplikované mechaniky Brno, s.r.o.	4400032560	General Agreement on Technical Assistance at Nuclear Power Plants in 2016–2017
Ústav aplikované mechaniky Brno, s.r.o.	4400033339	Support Pin Section Assessment
Ústav aplikované mechaniky Brno, s.r.o.	4400034350	Assessment of the Change of Opening and Closing Torques of the Valve Drive
Ústav aplikované mechaniky Brno, s.r.o.	4400034712	Measuring the Pump Discharge Burst Pressure and Pressure
Ústav aplikované mechaniky Brno, s.r.o.	4400034713	Completion and Identification of the Minimum Wall Thickness
Ústav aplikované mechaniky Brno, s.r.o.	4400034736	Completion of the Weld Joint Internal Volume Defect Assessment Methodology
Ústav aplikované mechaniky Brno, s.r.o.	4400034874	Completion of Calculation Works and Analysis of the Impact of Measured Stratification on the Lifetime of the TQ40 System
Ústav aplikované mechaniky Brno, s.r.o.	4400034900	Weld Joint Risk Spots
Ústav aplikované mechaniky Brno, s.r.o.	4400034953	Re-Assessment of the Bottom Socket of the Volume Compensator
Ústav aplikované mechaniky Brno, s.r.o.	4400035364	Periodic Assessment
Ústav aplikované mechaniky Brno, s.r.o.	4400035392	Revision of Report 2457/97
Ústav aplikované mechaniky Brno, s.r.o.	4400035816	Completion of Pressure Tests
Ústav aplikované mechaniky Brno, s.r.o.	4400036003	Assessment of Weld Joint Defects Permissibility
Ústav aplikované mechaniky Brno, s.r.o.	4400036004	Elimination of Weld Joint Non-Conformances
Ústav aplikované mechaniky Brno, s.r.o.	4400036005	Processing of Normative Phenomena for Defect Assessment
Ústav aplikované mechaniky Brno, s.r.o.	4400036110	Assembly and Temperature Measuring
Ústav aplikované mechaniky Brno, s.r.o.	4400036178	Technical Assistance During Non-Conformance Elimination
Ústav aplikované mechaniky Brno, s.r.o.	4400036379	Assembly and Temperature Measuring
Ústav aplikované mechaniky Brno, s.r.o.	4400036386	Assessment of the Vessel's Technical Condition
Ústav aplikované mechaniky Brno, s.r.o.	4400036398	Installation, Measuring, and Assessment of Thermocouples and High-Temperature Tension Meters
Ústav aplikované mechaniky Brno, s.r.o.	4400036479	Services Provided in the Area of Diagnostics and Assessment of Machinery and Equipment Condition
Výzkumný a zkušební ústav Plzeň s.r.o.	4100970009	Equipment Material Diagnostics
Výzkumný a zkušební ústav Plzeň s.r.o.	4400025606	Data Collection and Analysis
Výzkumný a zkušební ústav Plzeň s.r.o.	4400028805	Rotary Machinery Vibration Measuring
Výzkumný a zkušební ústav Plzeň s.r.o.	4400028919	Rotary Machinery Vibration Measuring

Company Name (Contracting Party)	Agreement File Number	Agreement Name
Výzkumný a zkušební ústav Plzeň s.r.o.	4400032887	Contract for Work – Development of Turbines Blade Inspection Methodology
Výzkumný a zkušební ústav Plzeň s.r.o.	4400033533	Calibrations of Slip Gauges and Inside Calipers
Výzkumný a zkušební ústav Plzeň s.r.o.	4400033710	Calibrations of Slip Gauges and Inside Calipers
Výzkumný a zkušební ústav Plzeň s.r.o.	4400034202	Inside Caliper Calibration
Výzkumný a zkušební ústav Plzeň s.r.o.	4400034540	Calibration of Limiting Rings
Výzkumný a zkušební ústav Plzeň s.r.o.	4400034951	Calibration of Limiting Rings
Výzkumný a zkušební ústav Plzeň s.r.o.	4400035275	Calibration of Threaded Pins and Rings
Výzkumný a zkušební ústav Plzeň s.r.o.	4400035600	Calibration of End Gauges and Micrometer
Výzkumný a zkušební ústav Plzeň s.r.o.	4400035635	Measuring the Relative Displacement of Oil Inserts
Výzkumný a zkušební ústav Plzeň s.r.o.	4400035773	Calibration of Micrometer Tapping
Výzkumný a zkušební ústav Plzeň s.r.o.	4400036342	Measuring of Oil Insert Play
Výzkumný a zkušební ústav Plzeň s.r.o.	4400036344	Completion of Turbine Lifetime Methodology

Supplementary Information on CEZ Group Members

Individual Results of Fully Consolidated Companies (in CZK Millions)

Fully consolidated companies	Revenues		EBITDA	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
ČEZ, a. s.	81,793	98	16,793	70
A.E. Wind S.A.	-	-	(2)	200
Areál Třeboradice, a.s.	11	110	4	100
AZ KLIMA a.s.	571	-	55	-
AZ KLIMA SK, s.r.o.	70	-	4	-
Baltic Green Construction sp. z o.o.	-	-	(1)	100
Baltic Green I sp. z o.o.	-	-	(1)	-
Baltic Green II sp. z o.o.	-	-	-	-
Baltic Green III sp. z o.o.	-	-	-	-
Baltic Green IV sp. z o.o.	-	-	-	-
Baltic Green V sp. z o.o.	-	-	-	-
Baltic Green VI sp. z o.o.	-	-	-	-
Baltic Green VII sp. z o.o.	-	-	-	-
Baltic Green VIII sp. z o.o.	-	-	-	-
Baltic Green IX sp. z o.o.	-	-	-	-
Baltic Green X sp. z o.o.	-	-	-	-
Bara Group EOOD	6	-	(4)	18
Centrum výzkumu Řež s.r.o.	510	109	26	130
CEZ Bulgaria EAD	714	66	12	31
CEZ Bulgarian Investments B.V.	1	25	(20)	56
CEZ Deutschland GmbH	5	-	(21)	>500
CEZ Distributie S.A.	5,073	88	1,797	76
CEZ Elektro Bulgaria AD	17,462	89	13	10
CEZ Erneuerbare Energien Beteteiligungs GmbH	-	-	(1)	-
CEZ Erneuerbare Energien Verwaltungs GmbH	2	-	-	-
CEZ ESCO Poland B.V.	-	-	(2)	-
CEZ ESCO Polska sp. z o.o.	-	-	(21)	-
CEZ Hungary Ltd.	1,513	62	34	103
CEZ Chorzów, S.A.	2,662	94	1,073	84
CEZ ICT Bulgaria EAD	265	212	132	307
CEZ International Finance B.V.	-	-	(5)	50
CEZ MH B.V.	-	-	(4)	100
CEZ Poland Distribution B.V.	13	9	(200)	-
CEZ Polska sp. z o.o.	188	99	17	121
CEZ Produkty Energetyczne Polska sp. z o.o.	139	112	22	116
CEZ Razpredelenie Bulgaria AD	5,633	111	1,267	105
CEZ Romania S.A.	885	101	57	90
CEZ Skawina S.A.	2,148	95	312	54
CEZ Slovensko, s.r.o.	6,294	92	202	470
CEZ Srbija d.o.o.	110	38	(10)	-
CEZ Towarowy Dom Maklerski sp. z o.o.	15	115	1	100
CEZ Trade Bulgaria EAD	5,394	122	87	104
CEZ Trade Polska sp. z o.o.	2,770	123	49	66
CEZ Trade Romania S.R.L.	43	88	3	150
CEZ Ukraine LLC	-	-	-	-
CEZ Vanzare S.A.	9,507	102	174	144
ČEZ Bohunice a.s.	-	-	(4)	100
ČEZ Distribuce, a. s.	49,747	93	16,401	105
ČEZ Distribuční služby, s.r.o.	5,934	92	1,098	108
ČEZ Energetické produkty, s.r.o.	957	116	87	87
ČEZ Energetické služby, s.r.o.	1,618	203	126	159
ČEZ ENERGOSEKVIS spol. s r.o.	1,249	111	26	43

	Depreciation and Amortization		Net Income		Total Assets		Own Equity	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
	(15,253)	104	8,834	31	536,934	104	200,698	91
	-	-	(4)	400	244	313	69	90
	(16)	100	(10)	9	222	93	183	95
	(7)	-	39	-	384	-	157	-
	-	-	2	-	29	-	14	-
	-	-	(151)	>500	422	130	(147)	>500
	-	-	(1)	-	166	154	5	83
	-	-	(85)	-	27	31	(76)	-
	-	-	(33)	-	9	22	(25)	-
	-	-	-	-	-	-	(1)	100
	-	-	(18)	-	10	>500	(16)	-
	-	-	(9)	-	3	43	(7)	-
	-	-	(1)	50	1	3	(1)	-
	-	-	-	-	-	-	-	-
	-	-	-	-	56	-	-	-
	-	-	-	-	-	-	-	-
	(17)	>500	(163)	103	38	19	(354)	185
	(18)	95	1	25	945	60	378	100
	(5)	21	6	26	597	101	110	107
	-	-	(249)	>500	691	74	687	73
	-	-	(21)	>500	22	63	14	40
	(1,136)	105	456	69	16,422	98	10,655	103
	-	-	9	7	4,425	105	1,232	101
	-	-	(1)	-	1,291	-	-	-
	-	-	-	-	2	-	-	-
	-	-	(2)	-	22	-	21	-
	-	-	(18)	-	10	-	1	-
	-	-	22	105	347	69	114	124
	(205)	96	739	81	11,822	95	6,197	99
	(100)	294	25	357	352	92	117	127
	-	-	15	7	1,523	14	1,522	101
	-	-	(846)	-	16,706	141	2,879	-
	-	-	(332)	-	5,738	159	4,654	226
	(6)	120	673	-	16,237	106	9,923	109
	-	-	18	120	70	104	50	104
	(891)	100	343	112	11,263	106	8,592	104
	(34)	200	14	42	2,545	91	161	111
	(265)	84	(33)	4	4,263	98	2,180	95
	-	-	150	375	1,415	91	648	130
	-	-	(9)	>500	62	107	25	357
	-	-	3	100	292	121	45	102
	(1)	-	75	103	1,032	142	333	129
	-	-	35	59	1,006	173	157	124
	-	-	2	100	23	121	14	117
	-	-	-	-	-	-	-	-
	-	-	108	103	1,825	85	497	127
	-	-	(4)	44	3,210	100	3,210	100
	(6,822)	101	7,596	109	138,010	101	99,145	103
	(713)	98	226	94	6,703	96	5,757	100
	(13)	118	60	82	493	117	307	117
	(65)	217	39	105	1,504	213	1,047	194
	(5)	100	19	42	664	196	83	76

Fully consolidated companies	Revenues		EBITDA	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
ČEZ ESCO, a.s.	107	486	(131)	187
ČEZ ICT Services, a. s.	3,001	97	923	86
ČEZ Inženýring, s.r.o.	181	92	20	100
ČEZ Korporátní služby, s.r.o.	1,838	95	405	96
ČEZ LDS, s.r.o.	-	-	-	-
ČEZ Obnovitelné zdroje, s.r.o.	2,154	98	488	>500
ČEZ OZ uzavřený investiční fond a.s.	1,330	74	940	58
ČEZ Prodej, s.r.o.	67,090	91	4,805	76
ČEZ Recyklace, s.r.o.	2	100	-	-
ČEZ Solární, s.r.o.	48	-	15	-
ČEZ Teplárenská, a.s.	2,967	96	402	97
ČEZ Zákaznické služby, s.r.o.	1,228	118	72	195
Eco-Wind Construction S.A.	245	180	(310)	500
EGP INVEST, spol. s r.o.	188	88	15	58
Elektrárna Dětmorovice, a.s.	2,927	83	320	88
Elektrárna Dukovany II, a. s.	-	-	(4)	-
Elektrárna Mělník III, a. s.	-	-	(2)	100
Elektrárna Počeradý, a.s.	7,674	144	1,179	130
Elektrárna Temelín II, a. s.	-	-	(4)	-
Elektrárna Tisová, a.s.	1,570	405	530	366
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	-	-	-	-
Energetické centrum s.r.o.	205	108	79	123
Energie2 Prodej, s.r.o.	115	-	29	-
Energocentrum Vítkovice, a. s.	320	-	(21)	>500
Energotrans, a.s.	3,734	104	1,328	92
ENESA a.s.	320	-	28	-
EVČ s.r.o.	316	103	13	130
Farma Wiatrowa Lešce sp. z o.o.	-	-	-	-
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	-	-	-	-
Free Energy Project Oreshets EAD	39	100	32	80
Irven Capital, investiční fond, a.s.	-	-	(37)	128
M.W. Team Invest S.R.L.	219	80	132	96
MARTIA a.s.	629	148	(6)	-
Mega Energy sp. z o.o.	-	-	-	-
Ovidiu Development S.R.L.	731	96	1,033	485
PRODECO, a.s.	1,395	100	57	81
Revitrans, a.s.	1,656	106	497	96
SD - Kolejová doprava, a.s.	1,310	105	525	105
Severočeské doly a.s.	9,917	102	4,411	102
Shared Services Albania Sh.A.	-	-	(1)	25
ŠKODA PRAHA a.s.	139	448	9	-
ŠKODA PRAHA Invest s.r.o.	5,961	115	(78)	27
TEC Varna EAD	21	64	(53)	46
Telco Pro Services, a. s.	626	100	160	82
Tepelné hospodářství města Ústí nad Labem s.r.o.	534	106	43	119
TMK Hydroenergy Power S.R.L.	84	138	160	271
Tomis Team S.A.	1,030	92	1,413	403
ÚJV Řež, a. s.	1,583	125	236	104
Windpark Baben Erweiterung GmbH & Co. KG	39	-	34	-
Windpark Badow GmbH & Co. KG	106	-	92	-
Windpark Cheinitz-Zethlingen GmbH & Co. KG	10	-	(1)	-
Windpark Fohren-Linden GmbH & Co. KG	16	-	6	-
Windpark Frauenmark III GmbH & Co. KG	3	-	2	-
Windpark Gremersdorf GmbH & Co. KG	10	-	7	-
Windpark Mengerlinghausen GmbH & Co. KG	17	-	4	-
Windpark Naundorf GmbH & Co. KG	33	-	29	-
Windpark Zagelsdorf GmbH & Co. KG	17	-	11	-
wpd Windparks Lee GmbH	-	-	-	-
wpd Windparks Luv GmbH	-	-	-	-
wpd Windparks Nordwind GmbH	-	-	-	-

	Depreciation and Amortization		Net Income		Total Assets		Own Equity	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
	-	-	(100)	175	2,703	146	2,574	142
	(729)	78	307	284	4,734	107	3,457	100
	-	-	16	100	185	109	99	119
	(189)	90	210	76	4,259	96	3,665	93
	-	-	-	-	17	-	17	-
	-	-	489	-	1,016	231	622	468
	(750)	102	51	7	10,179	92	9,434	89
	(379)	100	3,579	74	27,277	91	9,320	90
	-	-	-	-	76	146	-	-
	(1)	-	18	-	58	-	44	-
	(292)	87	111	132	3,904	95	3,025	92
	(1)	-	54	200	391	110	74	157
	(1)	50	(336)	295	180	26	(208)	-
	(3)	75	11	69	139	93	99	110
	(83)	84	260	-	2,674	103	1,884	104
	-	-	(4)	-	1,089	>500	1,045	>500
	-	-	(2)	100	13	93	13	93
	(632)	111	439	163	9,654	110	7,735	106
	(1)	-	(5)	-	2,130	>500	2,066	>500
	(95)	500	347	324	1,728	127	1,022	138
	-	-	(1)	-	4	24	(2)	100
	(26)	108	41	137	318	106	199	126
	(6)	-	18	-	197	-	128	-
	5	-	(13)	>500	182	325	43	77
	(223)	144	900	95	5,236	100	4,007	96
	(1)	-	20	-	121	170	51	146
	(3)	100	20	154	221	116	80	110
	-	-	-	-	1	100	(3)	100
	-	-	-	-	1	100	(4)	133
	(13)	93	15	68	173	93	54	135
	-	-	(34)	117	2,044	568	2,032	>500
	(95)	81	(238)	62	1,849	85	1,524	-
	(11)	138	(16)	-	248	149	50	64
	-	-	-	-	-	-	(1)	100
	(324)	85	(533)	35	7,898	91	7,427	-
	(24)	96	29	76	1,235	161	437	99
	(295)	96	180	97	1,618	86	1,118	84
	(67)	100	370	105	1,124	114	801	102
	(2,460)	100	2,320	114	32,905	100	22,515	103
	-	-	(2)	50	17	89	9	90
	-	-	2	-	767	91	707	100
	(1)	100	(103)	35	1,978	78	189	>500
	(14)	48	(71)	38	789	81	565	89
	(135)	99	20	43	1,144	108	907	107
	(20)	133	20	118	452	97	225	101
	(69)	99	51	-	979	92	214	130
	(327)	86	(1,116)	71	9,391	96	7,891	-
	(98)	102	130	146	2,834	112	1,674	108
	(22)	-	-	-	463	-	1	-
	(58)	-	5	-	1,116	-	(35)	-
	(3)	-	(12)	-	736	-	(12)	-
	(10)	-	(17)	-	652	-	(15)	-
	(2)	-	(1)	-	96	-	(1)	-
	(7)	-	(5)	-	391	-	(5)	-
	(7)	-	(10)	-	729	-	(15)	-
	(14)	-	9	-	332	-	13	-
	(10)	-	(7)	-	346	-	(7)	-
	-	-	-	-	96	-	-	-
	-	-	-	-	293	-	-	-
	-	-	-	-	180	-	9	-

Individual Results of Joint Ventures (in CZK Millions)

Joint ventures	Revenues		EBITDA	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
Akcez Enerji A.S.	-	-	(10)	-
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	-	-	(1)	100
AK-EL Yalova Elektrik Üretim A.S.	-	-	(1)	100
Akenerji Dogal Gaz İthalat İhracat ve Toptan Ticaret A.S.	-	-	(1)	-
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.S.	4,829	95	128	56
Akenerji Elektrik Üretim A.S.	1,711	61	1,116	70
CM European Power International B.V.	-	-	(3)	100
ČEZ Energo, s.r.o.	825	97	191	96
Egemer Elektrik Üretim A.S.	7,898	69	640	68
Jadrová energetická spoločnosť Slovenska, a. s.	19	95	(79)	>500
LOMY MOŘINA spol. s r.o.	239	104	51	84
Sakarya Elektrik Dagitim A.S.	5,542	135	1,249	200
Sakarya Elektrik Perakende Satis A.S.	19,379	106	175	51

Fees Charged by External Auditors to Companies of the Consolidated CEZ Group in 2016 (CZK Millions)

	Audit Services	Tax Consulting	Economic and Organizational Consulting	Other	Total
ČEZ, a. s.	24.3	2.5	18.8	-	45.7
Fully consolidated CEZ Group companies	50.4	1.9	28.5	2.5	83.3
CEZ Group, total	74.7	4.4	47.3	2.5	129.0

	Depreciation and Amortization		Net Income		Total Assets		Own Equity	
	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)	2016	2016/2015 Index (%)
	-	-	(861)	84	7,051	84	1,292	54
	-	-	43	100	625	88	617	87
	-	-	10	125	70	92	69	91
	-	-	2	67	27	93	27	93
	(1)	50	125	68	935	131	330	128
	(343)	78	(646)	387	16,313	78	6,155	78
	-	-	889	382	2,379	143	2,378	160
	(145)	122	34	52	1,914	112	824	104
	(437)	51	(3,416)	110	13,199	85	(4,273)	288
	(23)	115	(92)	575	5,818	98	5,800	98
	(26)	93	21	75	408	101	354	98
	(2)	25	747	233	5,107	114	1,065	169
	-	-	146	45	5,146	104	864	66

Financial Section

The background features a complex, abstract composition of overlapping geometric shapes. In the upper left, a solid orange horizontal bar contains the text 'Financial Section'. Below and to the right of this bar, several semi-transparent gray shapes of various polygons and trapezoids are layered, creating a sense of depth and movement. In the bottom left corner, there are several overlapping, solid orange shapes that appear to be layered on top of the gray ones, mirroring the color of the header bar.

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Independent Auditor's Report



To the Shareholders of ČEZ, a. s.:

Opinion

We have audited the accompanying consolidated financial statements of CEZ Group (hereinafter also the "Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Group, see Notes 1, 8 and 9 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of CEZ Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

A member firm of Ernst & Young Global Limited
Ernst & Young Audit, s.r.o. with its registered office at Na Florenci 2116/15, 110 00 Prague 1 – Nove Mesto,
has been incorporated in the Commercial Register administered by the Municipal Court in Prague,
Section C, entry no. 88504, under Identification No. 26704153.



Impairment of goodwill and other assets

The Group conducts annual impairment tests of goodwill and other assets' balances. The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from the Group's internal perspective.

These calculations of potential impairment amounts are a key audit matter as there is a significant uncertainty in relation to regulatory matters such as distribution fees and government support for renewable energy, which are, together with other significant assumptions included in the estimated future cash flows, main inputs to the calculations. Main assumptions that are subject to significant estimation uncertainty are projected future wholesale electricity prices, prices of green certificates or emission allowances, market access, development of the regulatory environment and discount rates as well as the strategy of the Group. Future cash flows relate to events and actions that have not yet occurred and may not occur. Another reason for impairment to be a key audit matter is the fact that the determination of cash-generating unit is to some extent subject to management judgement.

Our procedures included assessing the assumptions and methodologies used by the Group in their value in use models and assessment of the fair value less cost to sell. We involved our internal valuation specialists in assessing the adequacy of the Group's model used for the calculation of weighted average cost of capital and we also evaluated mathematical accuracy, underlying data and assumptions used in the calculation. We evaluated main assumptions that are subject to significant estimates such as future wholesale electricity prices, prices of green certificates or emission allowances ("emission certificates"), development of the regulatory environment and compared them to those observable on the market. We compared electricity prices as well as the prices of emission certificates to the contracts, which are actively traded on the market, and we assessed reasonableness of the Group's projections of these future prices for periods, for which the market data are not available. We also discussed the assumptions with the transaction specialists in the respective countries.

We analyzed the budgets and future cash flows of the cash-generating units. We compared the expected developments in budgeted cash flows to the expectations presented by the management while assessing the main assumptions of the models and discussing alternatives. We also assessed the adequacy of the model used for the impairment test calculation together with the definition of the cash-generating units and mathematical accuracy of the calculations.

Finally, we also focused on whether the Group's disclosures in the consolidated financial statements in relation to the impairment of goodwill and other assets, as presented and disclosed in Note 7 Impairment of Property, Plant and Equipment and Intangible Assets including Goodwill, are compliant with the IFRS EU.



Fair value measurement of financial instruments

Due to the significance of financial instruments measured at fair value, and a high degree of judgement related to their valuation, we consider this as a key audit matter.

We involved the internal valuation specialists to assist us in performing our audit procedures. We assessed the design and tested the operating effectiveness of internal controls over the valuation, data integrity, independent price verification and model approval.

For areas of higher risk and estimation, our audit procedures focused on the comparison of judgments made to market practice and reperformance of valuations over a selection of instruments, assessing the key inputs, assumptions and models used in the valuation process. We compared our results with the Group's valuation.

We also focused on whether the Group's disclosures in the consolidated financial statements in relation to the valuation of financial instruments, as presented and disclosed in Note 18 Fair Value of Financial Instruments, are compliant with the IFRS EU.

Classification of commodity contracts

The Group is entering into commodity contracts on different markets and platforms mainly in Central Europe and Germany. Commodity trading activities include trading with electricity, gas, emission allowances, oil and coal.

This is a key audit matter as the distinction between the contracts in scope of IAS 39 Financial Instruments: Recognition and Measurement, which are treated as derivatives at fair value, and "own use" contracts, which are not remeasured to fair value, might be subject to a judgement and classification patterns set by the Group. This classification depends among other factors on the terms of the contract, whether the contract is considered to have been entered into as part of ordinary business activity, whether contract requires physical delivery of the commodity, and depends on various assumptions such as expected amount of commodity to be delivered, generation capacity of the portfolio mix and prices of commodities.

We tested the design and operating effectiveness of internal controls over the initial recognition of the contract, consistency of the commodity contract designation and the Group's ability to deliver the physical commodity over the contractual period.

We performed audit procedures focusing on the analysis and comparison of volume of commodities physically delivered during 2016 and the volumes of the "own use" contracts portfolio. We reviewed the ability of the Group to physically deliver the contracted future "own use" sales retrospectively and prospectively and the stability of portfolio to ensure that the contracts are not reclassified during their existence.

We also focused on whether the Group's disclosures in the consolidated financial statements in relation to the commodity contracts classification, as presented and disclosed in Note 26 Gains and Losses from Commodity Derivative Trading, Net, are compliant with the IFRS EU.



Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors of ČEZ, a. s. (hereinafter only "Board of Directors") is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors and the Audit Committee for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of ČEZ, a. s. (hereinafter only "Audit Committee") is responsible for overseeing the Group's consolidated financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Audit, s.r.o.
License No. 401

A handwritten signature in black ink, appearing to read 'Martin Skácelík', is written over a light gray horizontal line.

Martin Skácelík, Auditor
License No. 2119

20 March 2017
Prague, Czech Republic

CEZ Group – Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2016

in CZK Millions

ASSETS	Note	2016	2015
Property, plant and equipment:			
Plant in service		775,181	719,633
Less accumulated depreciation and impairment		(418,981)	(399,608)
Net plant in service	3	356,200	320,025
Nuclear fuel, at amortized cost	3	14,892	12,997
Construction work in progress, net	3	55,803	88,342
Total property, plant and equipment		426,895	421,364
Other non-current assets:			
Investment in joint-ventures	9	5,309	9,239
Restricted financial assets	4	19,011	18,059
Investments and other financial assets, net	5	14,460	22,598
Intangible assets, net	6	21,983	20,164
Deferred tax assets	32	1,596	1,631
Total other non-current assets		62,359	71,691
Total non-current assets		489,254	493,055
Current assets:			
Cash and cash equivalents	10	11,226	13,482
Receivables, net	11	56,331	46,003
Income tax receivable		1,181	436
Materials and supplies, net		7,520	8,577
Fossil fuel stocks		996	1,554
Emission rights	12	3,958	3,456
Other financial assets, net	13	56,501	32,728
Other current assets	14	3,227	3,395
Assets classified as held for sale	15	647	-
Total current assets		141,587	109,631
TOTAL ASSETS		630,841	602,686
EQUITY AND LIABILITIES	Note	2016	2015
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		207,259	218,340
Total equity attributable to equity holders of the parent	16	256,812	267,893
Non-controlling interests	9	4,548	4,262
Total equity		261,360	272,155
Non-current liabilities:			
Long-term debt, net of current portion	17	142,265	145,575
Provisions	20	66,360	60,525
Deferred tax liability	32	20,213	22,053
Other long-term liabilities	21	11,203	8,679
Total non-current liabilities		240,041	236,832
Current liabilities:			
Short-term loans	22	8,343	223
Current portion of long-term debt	17	17,208	11,696
Trade and other payables	23	80,516	58,010
Income tax payable		392	1,606
Provisions	20	8,160	8,219
Accrued liabilities	24	14,251	13,945
Liabilities associated with assets classified as held for sale	15	570	-
Total current liabilities		129,440	93,699
TOTAL EQUITY AND LIABILITIES		630,841	602,686

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

CEZ Group – Consolidated Statement of Income in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	2016	2015
Sales of electricity and related services		174,944	182,105
Sales of gas, coal, heat and other revenues		27,065	24,569
Other operating income		1,735	3,493
Total revenues and other operating income	25	203,744	210,167
Gains and losses from commodity derivative trading, net	26	(368)	(540)
Fuel		(13,150)	(13,053)
Purchased power and related services		(88,294)	(90,905)
Repairs and maintenance		(4,563)	(4,619)
Depreciation and amortization	3, 6	(28,978)	(28,619)
Impairment of property, plant and equipment and intangible assets including goodwill	7	(3,114)	(7,685)
Salaries and wages	27	(19,158)	(17,758)
Materials and supplies		(4,362)	(4,062)
Emission rights, net	12	(520)	(1,711)
Other operating expenses	28	(15,123)	(12,254)
Income before other income (expenses) and income taxes		26,114	28,961
Interest on debt, net of capitalized interest	2.8	(2,762)	(2,853)
Interest on provisions	20	(1,494)	(1,681)
Interest income	29	303	388
Foreign exchange rate gains (losses), net		(339)	(811)
Gain on sale of subsidiaries and joint-ventures		161	–
Other financial expenses	30	(1,264)	(1,110)
Other financial income	31	1,342	5,656
Share of profit (loss) from joint-ventures	2.2, 9	(2,733)	(1,655)
Total other income (expenses)		(6,786)	(2,066)
Income before income taxes		19,328	26,895
Income taxes	32	(4,753)	(6,348)
Net income		14,575	20,547
Net income attributable to:			
Equity holders of the parent		14,281	20,739
Non-controlling interests		294	(192)
Net income per share attributable to equity holders of the parent (CZK per share)	35		
Basic		26.7	38.8
Diluted		26.7	38.8

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

CEZ Group – Consolidated Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	2016	2015
Net income		14,575	20,547
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		(7,438)	11,919
Cash flow hedges reclassified to statement of income		(1,629)	(1,954)
Cash flow hedges reclassified to assets		(85)	(230)
Change in fair value of available-for-sale financial assets recognized in equity		4,620	1,440
Available-for-sale financial assets reclassified from equity		(10)	(103)
Translation differences – subsidiaries		(536)	(1,046)
Translation differences – joint-ventures		(617)	(1,218)
Translation differences reclassified from equity		(127)	1
Share on other equity movements of joint-ventures		26	(38)
Deferred tax related to other comprehensive income	32	1,731	(1,761)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(4,065)	7,010
Other comprehensive income – items not to be reclassified subsequently from equity:			
Re-measurement gains (losses) on defined benefit plans		10	(28)
Deferred tax related to other comprehensive income	32	1	(3)
Net other comprehensive income not to be reclassified from equity in subsequent periods		11	(31)
Other comprehensive income, net of tax		(4,054)	6,979
Total comprehensive income, net of tax		10,521	27,526
Total comprehensive income attributable to:			
Equity holders of the parent		10,228	27,811
Non-controlling interests		293	(285)

CEZ Group Consolidated Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	Attributable to equity holders of the parent					Total	Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves				
December 31, 2014		53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851
Net income		-	-	-	-	-	20,739	20,739	(192)	20,547
Other comprehensive income		-	-	(2,169)	7,886	1,425	(70)	7,072	(93)	6,979
Total comprehensive income		-	-	(2,169)	7,886	1,425	20,669	27,811	(285)	27,526
Dividends		-	-	-	-	-	(21,317)	(21,317)	(4)	(21,321)
Sale of treasury shares		-	136	-	-	-	(68)	68	-	68
Share options	27	-	-	-	-	31	-	31	-	31
Transfer of exercised and forfeited share options within equity		-	-	-	-	(63)	63	-	-	-
Acquisition of non-controlling interests	8	-	-	19	-	-	(166)	(147)	(145)	(292)
Put options held by non-controlling interest		-	-	-	-	-	139	139	153	292
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	4,262	272,155
Net income		-	-	-	-	-	14,281	14,281	294	14,575
Other comprehensive income		-	-	(1,279)	(7,413)	4,603	36	(4,053)	(1)	(4,054)
Total comprehensive income		-	-	(1,279)	(7,413)	4,603	14,317	10,228	293	10,521
Dividends		-	-	-	-	-	(21,320)	(21,320)	(8)	(21,328)
Share options	27	-	-	-	-	22	-	22	-	22
Transfer of forfeited share options within equity		-	-	-	-	(28)	28	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	17	17
Acquisition of non-controlling interests	8	-	-	-	-	-	(10)	(10)	(17)	(27)
Put options held by non-controlling interest		-	-	-	-	-	(1)	(1)	1	-
December 31, 2016		53,799	(4,246)	(10,779)	(7,499)	7,839	217,698	256,812	4,548	261,360

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

CEZ Group – Consolidated Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	2016	2015
OPERATING ACTIVITIES:			
Income before income taxes		19,328	26,895
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	3, 6	28,978	28,619
Amortization of nuclear fuel	2.10	3,158	3,416
Gain on non-current asset retirements, net		(350)	(562)
Foreign exchange rate losses (gains), net		339	811
Interest expense, interest income and dividend income, net		1,827	1,780
Provisions		(163)	(2,374)
Impairment of property, plant and equipment and intangible assets including goodwill	7	3,114	7,685
Valuation allowances and other adjustments		(364)	(1)
Share of (profit) loss from joint-ventures	9	2,733	1,655
Changes in assets and liabilities:			
Receivables		(10,168)	3,614
Materials, supplies and fossil fuel stocks		451	(169)
Receivables and payables from derivatives		3,244	5,833
Other current assets		4,630	5,469
Trade and other payables		8	(2,574)
Accrued liabilities		414	(1,450)
Cash generated from operations		57,179	78,647
Income taxes paid		(6,689)	(4,569)
Interest paid, net of capitalized interest		(2,481)	(2,728)
Interest received		298	416
Dividends received		646	813
Net cash provided by operating activities		48,953	72,579
INVESTING ACTIVITIES:			
Acquisition of subsidiaries and joint-ventures, net of cash acquired	8	(368)	-
Disposal of subsidiaries and joint-ventures, net of cash disposed of		900	310
Additions to non-current assets, including capitalized interest		(35,553)	(31,909)
Proceeds from sale of non-current assets		1,078	435
Loans made		(5)	(29)
Repayment of loans		228	123
Change in restricted financial assets		(851)	(500)
Total cash used in investing activities		(34,571)	(31,570)
FINANCING ACTIVITIES:			
Proceeds from borrowings		97,022	88,301
Payments of borrowings		(91,542)	(114,363)
Proceeds from other long-term liabilities		58	63
Payments of other long-term liabilities		(713)	(130)
Dividends paid to Company's shareholders		(21,325)	(21,309)
Dividends paid to non-controlling interests		(8)	(4)
Sale of treasury shares		-	68
Acquisition of non-controlling interests		(32)	-
Total cash used in financing activities		(16,540)	(47,374)
Net effect of currency translation in cash		6	(248)
Net decrease in cash and cash equivalents		(2,152)	(6,613)
Cash and cash equivalents at beginning of period		13,482	20,095
Cash and cash equivalents at end of period	10	11,330	13,482
Supplementary cash flow information			
Total cash paid for interest		5,568	6,680

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

CEZ Group

Notes to Consolidated Financial Statements as of December 31, 2016

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1. The Company

ČEZ, a. s. ("ČEZ" or "the Company"), business registration number 45274649, is a Czech Republic joint-stock company, owned 69.8% (70.3% of voting rights) at December 31, 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 (see Note 9). ČEZ is an electricity generation company, which in 2016 produced approximately 54% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates eleven fossil fuel plants, sixteen hydroelectric plants, one solar plant, one combined cycle gas turbine plant and two nuclear plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, biogas, biomass) in the Czech Republic, nine wind power plants in Germany, two fossil fuel plants and two hydroelectric plants in Poland, one solar plant and one biomass plant in Bulgaria and a wind farm and a complex of hydroelectric plants in Romania. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria and Romania. The average number of employees of the Company and its consolidated subsidiaries was 26,300 and 25,822 in 2016 and 2015, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector. All customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared under the historical cost convention, except when IFRS require other measurement basis as disclosed in the accounting policies below.

2.2. Group Accounting

a. Group Structure

The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries and joint-ventures, which are shown in the Note 9.

b. Subsidiaries

Subsidiaries are those entities which the Group controls. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise, and any difference between the amount of non-controlling interest derecognized and this liability is accounted for within equity. Subsequent changes to the present value of the amount payable on exercise are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures

A joint-venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint-venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary considerations to determine control over subsidiaries. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2.c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions Involving Entities under Common Control

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. The difference between the cost of acquisition of subsidiaries from entities under common control and the share of net assets acquired in book values is recorded directly in equity.

2.3. Changes in Accounting Policies**a. Adoption of New IFRS Standards in 2016**

The accounting policies adopted are consistent with those of the previous financial year, 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 IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint-venture to its interests in subsidiaries. These amendments did not have impact to 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. These amendments did not have significant impact to the Group's financial statements.

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 assist in applying judgment when meeting the presentation and disclosure requirements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of IAS 41. Instead, IAS 16 applies. After initial recognition, bearer plants are measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants remains in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance applies. These amendments did not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments 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 have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they are required to apply this method from the date of transition to IFRS. These amendments did not have any impact on the Group's financial statements.

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

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

These changes did not have significant impact on the Group's financial statements.

b. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by the EU

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2017 or later. Standards and interpretations most relevant to the Group's activities are detailed below:

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not applied, be subsequently measured at amortized cost if the following both conditions are met:

- the asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortized cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognize either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognized.

Hedge accounting

New chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016 but was not endorsed by EU yet. This new standard will not have significant impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

The IASB issued in January 2016 new standard, IFRS 16 Leases, which replaces existing IFRS leases requirements and requires lessees to recognize most leases on their balance sheets while lessor accounting is substantially unchanged. The Group is currently assessing the impact of this new standard on its financial statements.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The standard has not yet been endorsed by EU. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint-venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint-venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint-venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have significant impact to the Group's financial statements.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The standard has not yet been endorsed by EU. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. The standard has not yet been endorsed by EU. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have material impact on the Group's financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The standard has not yet been endorsed by EU. The Group is assessing the potential effect of the amendments on Group's financial statements.

The Group does not expect early adoption of any of the above mentioned standards, improvements or amendments.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described. Significant estimates are made by the Group while determining recoverable amounts for property, plant and equipment and intangible assets (see Note 7), accounting for the nuclear provisions (see Note 20.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 20.2), unbilled electricity (see Note 2.6), fair value of commodity contracts (see Notes 2.21 and 18) and financial derivatives (see Notes 2.20 and 18).

2.5. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services provided is recognized when the services are rendered.

Connection fees received from customers are recognized in income in the period when the fees are received. Connection fees received from customers prior 2009 are presented as deferred revenues in the line Other long-term liabilities.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel (see Note 2.10).

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 2,989 million and CZK 3,623 million and the interest capitalization rate was 4.1% and 4.3% in 2016 and 2015, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost, related accumulated depreciation and eventual impairment of the disposed item or its replaced part are derecognized from the balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

At each reporting date, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	8–25
Furniture and fixtures	4–15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 27,569 million and CZK 27,146 million for the years ended December 31, 2016 and 2015, which was equivalent to a composite depreciation rate of 3.7% and 3.9%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization and presented as part of property, plant and equipment. Amortization of fuel in the reactor is based on the amount of power generated. Amortization of nuclear fuel charged to fuel expense was CZK 3,158 million and CZK 3,416 million for the years ended December 31, 2016 and 2015, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 219 million and CZK 328 million in 2016 and 2015, respectively. The balance of nuclear fuel includes the capitalized portion of the provision for interim storage of nuclear fuel.

2.11. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 25 years. The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at each financial year end. Improvements are capitalized.

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 369 million in 2016 and CZK 351 million in 2015.

Intangible assets are tested for impairment (for goodwill see Note 2.12) whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

2.12. Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Impairment losses of goodwill cannot be reversed in subsequent periods. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.13. Emission Rights

Emission right represents the right of the operator of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans certain companies of the Group have been granted emission rights. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30 of the following year, at the latest, these companies are required to remit a number of allowances representing the number of tones of CO₂ actually emitted in previous year.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost (except for emission rights for trading). Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. The Group recognizes a provision to cover emissions made. This provision is measured firstly with regard to the cost of emission rights resulting from hedging strategy, and then considering granted and purchased emission rights and credits up to the level of granted and purchased emission rights and credits held and then at the market price ruling at the balance sheet date.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash-generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

Green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if the Group intends to realize them within 12 months of the balance sheet date or if there is no reasonable certainty that the Group will hold the available-for-sale investments for more than 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

The carrying amounts of available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Changes in the fair values of trading investments are included in Other financial expenses or Other financial income.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of 6 months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An impairment analysis of receivables is performed by the Group at each reporting date on an individual basis for significant specific receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively where the individual approach is not applicable. The calculation is based on actual incurred historical data of these groups.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenses which have been incurred in respect of the acquisition of materials and supplies including transportation costs. When consumed, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision charged to the income statement. At December 31, 2016 and 2015 the provision for obsolescence amounted to CZK 1,096 million and CZK 516 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at actual cost using weighted average cost method.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the balance sheet such derivatives are presented as part of Investments and other financial assets, net, Other financial assets, net, Other long-term liabilities and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other financial expenses or Other financial income.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Contracts

According to IAS 39, certain commodity contracts are treated as financial instruments and fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- A physical delivery takes place under such contracts;
- The volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- The contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from commodity derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 19% for the years ended December 31, 2016 and 2015, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2017 and on is 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported net income nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint-ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other financial expenses or Other financial income. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 20.1).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at December 31, 2016 and 2015 using a long-term real rate of interest of 1.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the period when the nuclear power plants generate electricity. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2016 and 2015 the estimate for the effect of inflation is 1%.

The decommissioning process is expected to continue for approximately a fifty-year period subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2084 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group's current estimates.

Changes in a decommissioning liability and in liability for final storage of spent nuclear fuel that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating lives (see Note 20.2). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted at December 31, 2016 and 2015 using a long-term real rate of interest of 1.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2016 and 2015 the estimate for the effect of inflation is 1%.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependent on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Members of Board of Directors and selected managers have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2016 and 2015 the expense recognized in respect of the share option plan amounted to CZK 22 million and CZK 31 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on equity securities available-for-sale are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

Exchange rates used as at December 31, 2016 and 2015 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2016	2015
CZK per 1 EUR	27.020	27.025
CZK per 1 USD	25.639	24.824
CZK per 1 PLN	6.126	6.340
CZK per 1 BGN	13.815	13.819
CZK per 1 RON	5.953	5.976
CZK per 100 JPY	21.907	20.619
CZK per 1 TRY	7.286	8.509

2.31. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

Net plant in service at December 31, 2016 and 2015 is as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Total
Cost at January 1, 2015	264,714	429,452	7,150	701,316
Additions	9,093	13,121	231	22,445
Disposals	(937)	(3,992)	(33)	(4,962)
Change in capitalized part of provisions	10	2,829	860	3,699
Reclassification and other	(5)	7	(2)	-
Currency translation differences	(1,246)	(1,599)	(20)	(2,865)
Cost at December 31, 2015	271,629	439,818	8,186	719,633
Additions	16,465	45,163	128	61,756
Disposals	(862)	(2,431)	(119)	(3,412)
Reclassification to assets classified as held for sale	(2,140)	(5,627)	(103)	(7,870)
Acquisition of subsidiaries	44	25	4	73
Change in capitalized part of provisions	(119)	5,687	77	5,645
Reclassification and other	34	(18)	-	16
Currency translation differences	(239)	(417)	(4)	(660)
Cost at December 31, 2016	284,812	482,200	8,169	775,181
Accumulated depreciation and impairment at January 1, 2015	(112,146)	(258,354)	(1,015)	(371,515)
Depreciation	(7,249)	(19,876)	(21)	(27,146)
Net book value of assets disposed	(355)	(108)	(2)	(465)
Disposals	937	3,992	6	4,935
Reclassification and other	(30)	(6)	-	(36)
Impairment losses recognized	(2,824)	(3,970)	(55)	(6,849)
Impairment losses reversed	62	15	3	80
Currency translation differences	507	875	6	1,388
Accumulated depreciation and impairment at December 31, 2015	(121,098)	(277,432)	(1,078)	(399,608)
Depreciation	(7,348)	(20,153)	(68)	(27,569)
Net book value of assets disposed	(117)	(34)	(14)	(165)
Disposals	862	2,431	40	3,333
Reclassification to assets classified as held for sale	2,076	5,578	-	7,654
Reclassification and other	(18)	(4)	-	(22)
Impairment losses recognized	(822)	(2,229)	(2)	(3,053)
Impairment losses reversed	47	60	2	109
Currency translation differences	100	239	1	340
Accumulated depreciation and impairment at December 31, 2016	(126,318)	(291,544)	(1,119)	(418,981)
Net plant in service at December 31, 2015	150,531	162,386	7,108	320,025
Net plant in service at December 31, 2016	158,494	190,656	7,050	356,200

Group's plant in service pledged as security for liabilities at December 31, 2016 and 2015 is CZK 5,636 million and CZK 6,445 million, respectively.

Construction work in progress contains mainly refurbishments performed on Ledvice and Pruněrov and the electricity distribution network of subsidiaries ČEZ Distribuce, a. s. and CEZ Razpredelenie Bulgaria AD. It also contains costs of CZK 2,891 million for the preparation of new nuclear power sources.

As at December 31, 2016 the Group reclassified two wind power plant projects in Poland from line Materials and supplies, net to Construction work in progress, net in the total amount of CZK 514 million based on their state of development and on affirmed intention of construction considering the current conditions of regulation in Poland.

Movements of nuclear fuel in 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Opening balance as of January 1	12,997	10,953
Additions	4,788	5,067
Amortization	(2,939)	(3,087)
Change in capitalized part of provisions	46	64
Closing balance at December 31	14,892	12,997

4. Restricted Financial Assets

Restricted financial assets at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Restricted debt securities available-for-sale	15,920	14,320
Restricted cash	3,091	3,739
Total restricted financial assets	19,011	18,059

The restricted financial assets contain in particular restricted funds related to accumulated provision for nuclear decommissioning and related to accumulated provision for mine reclamation and mining damages and waste storage reclamation.

5. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Financial assets in progress, net	6	-
Term deposits	500	-
Debt securities available-for-sale	4,646	676
Investment in Veolia Energie ČR	2,732	2,732
Investment in MOL	-	9,360
Other equity securities available-for-sale	1,619	887
Derivatives	4,163	7,006
Long-term receivable from settlement with Albania	557	1,111
Other long-term receivables, net	237	826
Total	14,460	22,598

Movements in impairment provisions (in CZK millions):

	2016 Available-for-sale financial assets	2015 Available-for-sale financial assets
Opening balance	44	53
Derecognition of impaired fin. assets	(43)	(9)
Closing balance	1	44

Debt instruments at December 31, 2016 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities available-for-sale
Due in 2018	634	2,800
Due in 2019	36	1,351
Due in 2020	34	396
Due in 2021	13	99
Thereafter	77	-
Total	794	4,646

Debt instruments at December 31, 2015 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities available-for-sale
Due in 2017	630	-
Due in 2018	576	676
Due in 2019	15	-
Due in 2020	591	-
Thereafter	125	-
Total	1,937	676

Debt instruments at December 31, 2016 and 2015 have following effective interest rate structure (in CZK millions):

	2016		2015	
	Long-term receivables	Debt securities available-for-sale	Long-term receivables	Debt securities available-for-sale
Less than 2.00%	794	4,646	1,444	676
From 2.00% to 2.99%	–	–	493	–
Total	794	4,646	1,937	676

The following table analyses the debt instruments at December 31, 2016 and 2015 by currency (in CZK millions):

	2016		2015	
	Long-term receivables	Debt securities available-for-sale	Long-term receivables	Debt securities available-for-sale
CZK	220	3,295	235	–
EUR	573	1,351	1,700	676
Other	1	–	2	–
Total	794	4,646	1,937	676

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2016 and 2015 are as follows (in CZK millions):

	Software	Rights and Other	Goodwill	Total 2016	Total 2015
Cost at January 1	12,781	12,525	9,275	34,581	33,904
Additions	1,008	2,006	–	3,014	1,383
Disposals	(327)	(14)	–	(341)	(427)
Reclassification to assets classified as held for sale	(7)	–	–	(7)	–
Acquisition of subsidiaries	1	–	336	337	–
Impairment of goodwill	–	–	–	–	(7)
Reclassification and other	(11)	–	–	(11)	12
Currency translation differences	(3)	(115)	(53)	(171)	(284)
Cost at December 31	13,442	14,402	9,558	37,402	34,581
Accumulated amortization and impairment at January 1	(10,592)	(4,379)	–	(14,971)	(13,894)
Amortization	(985)	(424)	–	(1,409)	(1,473)
Net book value of assets disposed	(5)	–	–	(5)	(27)
Disposals	327	14	–	341	427
Reclassification to assets classified as held for sale	7	–	–	7	–
Reclassification and other	(12)	–	–	(12)	(11)
Impairment losses recognized	(9)	(34)	–	(43)	(60)
Currency translation differences	2	47	–	49	67
Accumulated amortization and impairment at December 31	(11,267)	(4,776)	–	(16,043)	(14,971)
Net intangible assets at December 31	2,175	9,626	9,558	21,359	19,610

At December 31, 2016 and 2015, intangible assets presented in the balance sheet include intangible assets in progress of CZK 624 million and CZK 554 million, respectively.

At December 31, 2016 and 2015 goodwill allocated to cash-generating units is as follows (in CZK millions):

	2016	2015
Romanian distribution	1,969	1,976
Romanian sale	554	556
Czech distribution	2,210	2,210
Energotrans	1,675	1,675
Polish power plants (Chorzów, Skawina)	1,202	1,244
ČEZ Teplárenská	727	727
Energetické centrum	261	261
TMK Hydroenergy Power	291	292
AZ KLIMA	245	–
Other	424	334
Total	9,558	9,275

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

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2016 (in CZK millions):

	Impairment losses			Impairment reversals	
	Intangible assets other than goodwill	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution	-	40	40	(36)	4
Romanian wind power farms	44	2,422	2,466	-	2,466
Tisová power plant (Note 15)	-	299	299	-	299
Bara Group	-	114	114	-	114
ČEZ OZ uzavřený investiční fond	-	151	151	(28)	123
Other	3	150	153	(45)	108
Total	47	3,176	3,223	(109)	3,114

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2015 (in CZK millions):

	Impairment losses			Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Property, plant and equipment	Total impairment, net
Romanian distribution	-	-	27	(35)	(8)
Bulgarian distribution	-	46	1,395	-	1,441
Czech distribution	-	-	16	(2)	14
Romanian wind power farms	-	10	2,285	-	2,295
TEC Varna	-	12	37	-	49
Polish power plants (Chorzów, Skawina)	-	-	1,195	-	1,195
Dětmarovice power plant	-	-	986	-	986
Tisová power plant	-	-	605	-	605
ČEZ Korporátní služby	-	-	14	(37)	(23)
Bara Group	-	-	181	-	181
Areál Třeboradice	7	-	120	-	127
Other	-	6	833	(16)	823
Total	7	74	7,694	(90)	7,685

In 2016 and 2015 the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired. Recognized impairment of property, plant and equipment of cash-generating unit Romanian wind power farms in 2016 was caused mainly by the drop in market prices of electricity. Recognized impairment of cash-generating unit Tisová power plant in 2016 resulted from classification of the net assets as held for sale with regard to expected selling price (Note 15). Recognized impairment of cash-generating unit ČEZ OZ uzavřený investiční fond in 2016 was caused mainly in relation to the decrease in regulated revenues. Recognized impairment of cash-generating unit Bara Group in 2016 was caused mainly by updated terms of regulation and resulting decrease in expected revenues.

Recognized impairment of property, plant and equipment of cash-generating unit Romanian wind power farms in 2015 was caused mainly by the drop in market prices. Recognized impairment of cash-generating unit Bulgarian distribution and sale in 2015 was caused mainly by updated outlook of electricity distribution regulation and subsequent decrease in expected revenues. Recognized impairment of Skawina power plant in 2015 was caused mainly by drop in market prices of electricity, decrease in prices of green and similar certificates and also caused by increase in prices of emission rights. The subsequent impairment test of the cash-generating unit Polish power plants including allocated goodwill did not result in an impairment loss. Recognized impairment of cash-generating unit Dětmarovice power plant in 2015 was caused mainly by drop in market prices of electricity and also by increase in prices of emission rights. Recognized impairment of cash-generating unit Tisová power plant in 2015 resulted from external expert appraisal performed for the sake of the contribution in-kind of the whole power plant to a separate entity. The driver of impairment for Tisová power plant was mainly decrease in market prices of electricity. Recognized impairment of cash-generating unit Bara Group in 2015 was caused mainly by updated outlook of regulation and subsequent decrease in expected revenues.

Description of selected parameters related to testing and determination of recoverable amounts

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use except for Tisová power plant as at December 31, 2016 when fair value less costs of disposal was used. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective.

Values in use are determined based on the medium-term budget for a period of 5 years and on the anticipated development of the expected cash flows in the long-term, which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on the anticipated future market trends and on the macroeconomic development of the respective region.

The value in use based on complex projection of cash flows of respective companies for the period covering remaining useful life of tested assets was used for determination of the recoverable amounts of the following cash-generating units:

ČEZ, a. s. production assets are tested for any possible impairment as a single cash-generating unit with the exception of specific assets, e.g. the gas fired power plant in Počeradý. ČEZ cash-generating unit of production assets is characterized by portfolio management in the deployment and maintenance of various production resources and the cash flows generated from these activities.

As part of testing the recoverable value of fixed assets of the cash generating unit of ČEZ, a. s. (hereinafter the "ČEZ Value"), we performed a sensitivity analysis of the test results to changes in certain key parameters of the used model – changes in wholesale electricity prices (hereinafter the "EE prices"), changes in the discount rate used in the calculation of the present value of future cash flows and changes in CZK/EUR exchange rate.

The development of commodity prices and, in particular, the development of wholesale electricity prices in Germany (as German electricity prices have a major impact on the development of wholesale electricity prices in the Czech Republic) are the key assumptions used for the ČEZ Value model. The developments of wholesale prices are primarily determined by the EU political decisions, the development of global demand and supply of commodities and the technological progress.

The impact of EE price changes on the results of the ČEZ Value test is further influenced by a number of external factors, including, in particular, changes in the structure and availability of production resources in the Czech Republic and neighboring countries, the macroeconomic development of the Central European region and the regulation of the energy sector in the EU and Germany, including the future Market design and fundamental impact of nuclear sources attenuation in 2020–2021, the impact of the EU approved 2030 climate and energy targets and the impact of the Czech Republic State Energy Concept. The model was constructed for a period adequate to the useful life of the production resources, i.e. for a period that significantly exceeds the period for which commodities, including wholesale electricity price contracts, are traded on public liquid markets. In addition, the electricity market is subject to structural changes and major industry regulation; consequently, complete abandonment of market-based pricing mechanisms and implementation of alternative, centrally regulated payments for the availability and supply of production resources within the period of useful life of the production resources is actually possible.

With respect to the fact that we are using a long-term model, there are certain internal factors and assumptions that affect the ČEZ Value sensitivity to the development of electricity prices, such as varying deployment of the production portfolio depending on the development of electricity market prices, emission allowances and variable production costs and, in a longer perspective, also the development of fixed costs reflecting the development of the production resources gross margin.

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the production portfolio as at December 31, 2016. The borderline values of the interval of all three main tested factors represent test results arising from the use of two price scenarios.

The basic scenario considers long-term EE prices at the level used to prepare ČEZ business plan for 2017–2021. The plan was prepared in the fourth quarter 2016 whereas the plan was based on the active market parameters observed in August and September (electricity prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of CO₂ emission rights, FX rate CZK/EUR, interest rates etc.). There is a liquidity for electricity contracts traded on EEX for the period covering the horizon of the business plan and with regard to links between German and Czech electricity transmission network, the EEX prices are basic market price indicator for EE prices in the Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of ČEZ, a. s. The second basic price scenario assumes EE prices lower by about 30% compared to the basic scenario and also contains decrease of relevant expenses.

A change of the assumed EE prices as per the models by 1%, with other parameters remaining unchanged, would have an impact of approximately CZK 3.1–4.0 billion on the ČEZ Value test results. Future cash flows of the model were discounted using a 3.9% rate. A change of 0.1 percentage point in the discount rate, with other parameters remaining unchanged, would change the ČEZ Value by CZK 3.4–4.5 billion. A change of 1% in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 3.1–4.2 billion in the ČEZ Value.

The cash flow projections of Romanian wind power farms are based on approved renewable energy support in the form of granted green certificates and a discount rate of 6.0%. The projection of the cash flows includes assumption of receiving two green certificates. Receiving of two green certificates is approved by Romanian Energy Regulatory Authority ANRE. The issuance of one of the two green certificates in the expected amount of 4.1 million pieces is postponed until March 2017. The recovery of these deferred green certificates is expected in the period from 2018 to 2020. One of the main factors influencing the value of future cash flows is the price of green certificates. Current value of the green certificate in the model is EUR 29.4 and expected growth rate is 1.0%. Change in the price of green certificate by 1% every year, all other variables held constant, would result in change of value in use by approximately CZK 0.1 billion. Change of the discount rate by 1 percentage point, all other variables held constant, would result in change of value in use by approximately CZK 1.0 billion.

The generation sources in Poland (power plants Chorzów and Skawina) also belong among tested non-current assets where cash flow projects covering remaining useful life were used. Future cash flows were discounted using rate of 5.7%.

The value in use derived from the projection of cash flows based on financial budget for a period of 5 years and on the expected future development of cash flows generated from the respective assets was applied when determining the recoverable amount of the following cash-generating units:

The discount rate of 3.3% was used for Czech distribution and sale. Cash flows beyond the five-year period for Czech distribution was based on the terminal value of regulatory asset base.

The discount rate of 3.4% was used for Energotrans and ČEZ Teplárenská. No growth rate is considered for cash flows beyond five-year period for Energotrans and ČEZ Teplárenská.

The discount rate of 3.9% was used for Dětmárovice power plant. No growth rate is considered for cash flows beyond five-year period. The discount rate of 3.4% was used for Energetické centrum. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate.

The discount rate of 6.2% was used for Romanian distribution and sale. Cash flows beyond the five-year period for Romanian distribution were based on the terminal value of regulatory asset base.

The discount rate of 5.5% was used for TMK Hydroenergy Power. There is no growth rate considered for cash flows beyond five-year period.

The discount rate of 5.4% was used for Bulgarian distribution. Cash flows beyond the five-year period do not consider any growth rate. Change of discount rate by 1 percentage point, all other variables held constant, would result in change of value in use by approximately CZK 0.1 billion.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on experience from historical trends in the preceding periods, current outlook of market and non-market parameters, eventually with regard to operational efficiency improvements. Gross margins are affected especially by wholesale electricity prices, prices of emission rights and prices of green and similar certificates.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the anticipated future development of the market, gross domestic product, nominal wages and interest rates and the forecast of regulatory environment, where subsidiaries conduct the business.

8. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 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 juwi s.r.o. (now 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 was a supplier of electricity and gas to all types of companies, organizations, households and public sector in the Czech Republic. The company merged with the succession company ČEZ Prodej, s.r.o. on January 1, 2017.

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.

On December 29, 2016 the Group acquired a 51% interest in newly established company ČEZ LDS, s.r.o. which constructs and operates electricity and gas local distribution grids.

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

	AZ KLIMA	Energie2 Prodej	Other	Total
Share of the Group	100%	100%		
Property, plant and equipment	57	–	18	75
Other non-current assets	31	4	10	45
Materials and supplies, net	50	–	46	96
Receivables, net	240	99	34	373
Cash and cash equivalents	15	16	23	54
Other current assets	35	5	–	40
Long-term debt, net of current portion	(50)	–	(1)	(51)
Other long-term liabilities	(7)	(87)	–	(94)
Short-term loans	(30)	–	–	(30)
Trade and other payables	(163)	(79)	(41)	(283)
Current provisions	(49)	–	–	(49)
Accrued liabilities	(25)	(26)	(4)	(55)
Total net assets	104	(68)	85	121
Share of net assets acquired	104	(68)	68	104
Goodwill	245	87	4	336
Total purchase consideration	349	19	72	440
Less:				
Cash and cash equivalents in the subsidiaries acquired	(15)	(16)	(23)	(54)
Interest acquired in previous periods	–	–	(18)	(18)
Cash outflow on acquisition of the subsidiaries in 2016	334	3	31	368

If the combinations had taken place at the beginning of the year 2016, net income for CEZ Group as of December 31, 2016 would have been CZK 14,640 million and the revenues and other operating income from continuing operations would have been CZK 204,442 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

Acquisitions of non-controlling interests from third parties in 2016

On November 22, 2016 the Group increased the ownership interest from 75% to 100% in company EVČ, s.r.o. The following table summarizes the critical terms of this transaction (in CZK millions):

Acquired share of net assets derecognized from non controlling interests	17
Amount directly recognized in equity	10
Total purchase consideration	27

Acquisitions of non-controlling interests from third parties in 2015

On April 15, 2015 the Group increased the ownership interest from 75% to 100% in company Eco-Wind Construction S.A. by calling the option to acquire the non-controlling interest. The following table summarizes the critical terms of this transaction (in CZK millions):

Acquired share of net assets derecognized from non controlling interests	145
Amount directly recognized in equity	147
Total purchase consideration	292

9. Investments in Subsidiaries and Joint-ventures

The consolidated financial statements include the financial figures of ČEZ, a. s. and its subsidiaries and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity interest*		% voting interest	
		2016	2015	2016	2015
A.E. Wind S.A. ¹⁾	Poland	100.00%	100.00%	100.00%	100.00%
Areál Třeboradice, a.s.	Czech Republic	95.00%	95.00%	95.00%	95.00%
AZ KLIMA a.s.	Czech Republic	100.00%	–	100.00%	–
AZ KLIMA SK, s.r.o.	Slovakia	100.00%	–	100.00%	–
Baltic Green Construction sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green IX sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VI sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VII sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green VIII sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Baltic Green X sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Bara Group EOOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Bulgarian Investments B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A. ²⁾	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Erneuerbare Energien Beteiligungs GmbH ³⁾	Germany	100.00%	–	100.00%	–
CEZ Erneuerbare Energien Verwaltungs GmbH ³⁾	Germany	100.00%	–	100.00%	–
CEZ ESCO Poland B.V. ³⁾	Netherlands	100.00%	–	100.00%	–
CEZ ESCO Polska sp. z o.o. ³⁾	Poland	100.00%	–	100.00%	–
CEZ Finance Ireland Ltd. ⁴⁾	Ireland	–	100.00%	–	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzów S.A.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ ICT Bulgaria EAD	Bulgaria	67.00%	67.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd. ⁴⁾	Ireland	–	100.00%	–	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Silesia B.V. ⁵⁾	Netherlands	–	100.00%	–	100.00%
CEZ Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Towarowy Dom Maklerski sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine LLC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSEKVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ESCO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Inženýring, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ LDS, s.r.o.	Czech Republic	51.00%	–	51.00%	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest *		% voting interest	
		2016	2015	2016	2015
ČEZ Recyklace, s.r.o.	Czech Republic	99.00%	99.00%	99.00%	99.00%
ČEZ Solární, s.r.o.	Czech Republic	100.00%	-	100.00%	-
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Eco-Wind Construction S.A.	Poland	100.00%	100.00%	100.00%	100.00%
EGP INVEST, spol. s r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
Elektrárna Dětmorovice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Dukovany II, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Mělník III, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počeradý, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Temelín II, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s. ⁶⁾	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energie2 Prodej, s.r.o.	Czech Republic	100.00%	-	100.00%	-
Energocentrum Vítkovice, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ENESA a.s.	Czech Republic	75.00%	-	75.00%	-
EVČ s.r.o.	Czech Republic	100.00%	75.00%	100.00%	75.00%
Farma Wiatrowa Leśce sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Inven Capital, investiční fond, a.s. ⁷⁾	Czech Republic	100.00%	100.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Mega Energy sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Revitrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Taidana Limited ⁸⁾	Cyprus	-	100.00%	-	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Telco Pro Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
TMK Hydroenergy Power S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Tomis Team S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%
Windpark Baben Erweiterung GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Badow GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Föhren-Linden GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Frauenmark III GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Gremersdorf GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Cheinitz-Zethlingen GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Mengersinghausen GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Naundorf GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
Windpark Zagelsdorf GmbH & Co. KG ⁹⁾	Germany	100.00%	-	100.00%	-
wpd Windparks Lee GmbH ⁹⁾	Germany	100.00%	-	100.00%	-
wpd Windparks Luv GmbH ⁹⁾	Germany	100.00%	-	100.00%	-
wpd Windparks Nordwind GmbH ⁹⁾	Germany	100.00%	-	100.00%	-

Joint-ventures	Country of incorporation	% equity interest*		% voting interest	
		2016	2015	2016	2015
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o. ¹⁰⁾	Slovakia	-	50.00%	-	50.00%
ČEZ Energo, s.r.o.	Czech Republic	50.10%	50.10%	50.10%	50.10%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o. ¹¹⁾	Slovakia	-	49.00%	-	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	51.05%	51.05%
Sakarya Elektrik Dagitim A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Perakende Satis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

* The equity interest represents effective ownership interest of the Group

¹⁾ In 2016 the company A.E. Wind sp. z o.o. changed its legal form to a joint-stock company and was renamed to A.E. Wind S.A.

²⁾ The company name CEZ Distributie S.A. was changed to Distributie Energie Oltenia S.A. in January 2017.

³⁾ The company was newly established in 2016.

⁴⁾ The company was liquidated on December 30, 2016.

⁵⁾ The company merged with the succession company CEZ Poland Distribution B.V. in 2016.

⁶⁾ On January 2, 2017 the Group disposed of its 100% interest in company Elektrárna Tisová, a.s. (Note 37).

⁷⁾ The company name ČEZ Nová energetika, a.s. was changed to Inven Capital, investiční fond, a.s. in September 2016.

⁸⁾ The company was liquidated on February 6, 2016.

⁹⁾ The share in the company was acquired in 2016, but the transaction was not a business combination.

¹⁰⁾ The Group disposed of its interest in CM European Power Slovakia s.r.o. in 2016.

¹¹⁾ The company merged with the succession company Jadrová energetická spoločnosť Slovenska, a. s. in 2016.

Subsidiaries with non-controlling interests

The following table shows the composition of Group's non-controlling interests and dividends paid to non-controlling interests by respective subsidiaries (in CZK millions):

	2016		2015	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
CEZ Razpredelenie Bulgaria AD	3,194	-	2,997	-
ÚJV Řež, a. s.	791	-	730	-
CEZ Elektro Bulgaria AD	407	-	404	-
Other	156	8	131	4
Total	4,548	8	4,262	4

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2016 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	1,778	1,077	4,344
Non-current assets	10,349	1,756	81
Current liabilities	(1,826)	(605)	(3,074)
Non-current liabilities	(960)	(554)	(119)
Equity	9,341	1,674	1,232
Attributable to:			
Equity holders of parent	6,147	883	825
Non-controlling interests	3,194	791	407
Revenues and other operating income	5,633	1,583	17,462
Income before other income (expenses) and income taxes	677	164	13
Income before income taxes	667	151	12
Income taxes	(67)	(20)	(3)
Net income (loss)	600	131	9
Attributable to:			
Equity holders of parent	402	69	6
Non-controlling interests	198	62	3
Total comprehensive income	596	126	10
Attributable to:			
Equity holders of parent	400	66	7
Non-controlling interests	196	60	3
Operating cash flow	1,037	150	492
Investing cash flow	(1,095)	(55)	-
Financing cash flow	185	(4)	(5)
Net effect of currency translation in cash	-	1	(1)
Net increase in cash and cash equivalents	127	92	486

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2015 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	1,404	851	4,174
Non-current assets	9,847	1,687	51
Current liabilities	(1,794)	(482)	(2,878)
Non-current liabilities	(709)	(512)	(124)
Equity	8,748	1,544	1,223
Attributable to:			
Equity holders of parent	5,751	814	819
Non-controlling interests	2,997	730	404
Revenues and other operating income	5,077	1,263	19,538
Income before other income (expenses) and income taxes	(959)	130	136
Income before income taxes	(969)	117	136
Income taxes	110	(28)	(15)
Net income (loss)	(859)	89	121
Attributable to:			
Equity holders of parent	(575)	46	81
Non-controlling interests	(284)	43	40
Total comprehensive income	(1,120)	80	89
Attributable to:			
Equity holders of parent	(750)	44	59
Non-controlling interests	(370)	36	30
Operating cash flow	1,407	(38)	42
Investing cash flow	(1,058)	(14)	(1)
Financing cash flow	(206)	25	(2)
Net effect of currency translation in cash	(9)	3	(21)
Net increase (decrease) in cash and cash equivalents	134	(24)	18

Interests in joint-ventures

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2016 (in CZK millions):

	Carrying amount of investment	Dividends received	Group's share of joint-venture's:		
			Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	646	-	(720)	(236)	(956)
Sakarya Elektrik Dagitim A.S.	729	-	277	261	538
Sakarya Elektrik Perakende Satis A.S.	(1,070)	-	(441)	(205)	(646)
Total Akcez Group*	305	-	(884)	(180)	(1,064)
Akenerji Elektrik Üretim A.S.	3,586	-	(290)	(648)	(938)
Egemer Elektrik Üretim A.S.	(3,270)	-	(1,276)	295	(981)
Other subsidiaries of Akenerji Group	(76)	-	67	(58)	9
Total Akenerji Group	240	-	(1,499)	(411)	(1,910)
CM European Power International B.V.	1,189	-	167	-	167
CM European Power Slovakia s.r.o.**	-	-	132	1	133
Jadrová energetická spoločnosť Slovenska, a. s.	2,842	-	(46)	(1)	(47)
ČEZ Energo, s.r.o.	544	-	17	-	17
Other	189	14	10	(6)	4
Total	5,309	14	(2,103)	(597)	(2,700)

* In 2016 the Group impaired goodwill allocated to Akcez Group in total amount of CZK 630 million. This impairment loss was recognized in the statement of income in the line Share of profit (loss) from joint-ventures.

** In 2016 the Group sold its share in CM European Power Slovakia s.r.o.

The joint-ventures Akcez Enerji A.S. and Akenerji Elektrik Üretim A.S. are formed by partnership of CEZ Group and Akkök Group in Turkey to invest mainly into power generation and electricity distribution projects. The joint-venture Jadrová energetická spoločnosť Slovenska, a. s. is a joint-venture formed by CEZ Group and the Slovak Government to prepare the project of building a new nuclear power source in Slovakia.

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2015 (in CZK millions):

	Carrying amount of investment	Dividends received	Group's share of joint-venture's:		
			Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	1,938	-	(852)	(330)	(1,182)
Sakarya Elektrik Dagitim A.S.	273	-	80	128	208
Sakarya Elektrik Perakende Satis A.S.	(211)	-	162	(111)	51
Total Akcez Group	2,000	-	(610)	(313)	(923)
Akenerji Elektrik Üretim A.S.	4,509	-	(121)	(785)	(906)
Egemer Elektrik Üretim A.S.	(2,289)	-	(1,160)	(1)	(1,161)
Other subsidiaries of Akenerji Group	(70)	-	88	(31)	57
Total Akenerji Group	2,150	-	(1,193)	(817)	(2,010)
CM European Power International B.V.	745	-	6	(17)	(11)
CM European Power Slovakia s.r.o.	730	108	105	(29)	76
Jadrová energetická spoločnosť Slovenska, a. s.	2,898	-	(8)	(75)	(83)
ČEZ Energo, s.r.o.	527	-	32	-	32
Other	189	20	13	(5)	8
Total	9,239	128	(1,655)	(1,256)	(2,911)

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2016 (in CZK millions):

	Current assets	Out of which: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Contribution to JV's group equity	Share of the Group	Goodwill	Total carrying amount of the investment
Akcez Enerji A.S.	25	1	7,026	656	5,103	1,292	1,292	646	-	646
Sakarya Elektrik Dagitim A.S.	2,112	83	2,995	2,902	1,145	1,060	1,458	729	-	729
Sakarya Elektrik Perakende Satis A.S.	5,003	229	2,348	4,279	443	2,629	(2,140)	(1,070)	-	(1,070)
Total Akcez Group							610	305	-	305
Akenerji Elektrik Üretim A.S.	3,685	2,834	14,462	1,786	8,890	7,471	7,471	2,791	795	3,586
Egemer Elektrik Üretim A.S.	1,373	77	11,827	3,004	14,469	(4,273)	(8,753)	(3,270)	-	(3,270)
Other subsidiaries of Akenerji Group							(204)	(76)	-	(76)
Total Akenerji Group							(1,486)	(555)	795	240
CM European Power International B.V.	2,379	1,648	-	1	-	2,378	2,378	1,189	-	1,189
Jadrová energetická spoločnosť Slovenska, a. s.	1,811	1,791	4,007	17	1	5,800	1,811	2,842	-	2,842
ČEZ Energo, s.r.o.	215	97	1,699	188	831	895	215	448	96	544

	Revenues and other operating income	Depreciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	-	-	46	(332)	(15)	(861)	(250)	(1,111)
Sakarya Elektrik Dagitim A.S.	5,542	(2)	20	(205)	66	553	143	696
Sakarya Elektrik Perakende Satis A.S.	19,379	(143)	121	(19)	60	(883)	(633)	(1,516)
Akenerji Elektrik Üretim A.S.	1,711	(433)	142	(1,051)	(62)	(737)	(1,292)	(2,029)
Egemer Elektrik Üretim A.S.	7,898	(437)	47	(1,179)	798	(3,416)	119	(3,297)
CM European Power International B.V.	-	-	19	(2)	(3)	889	(1)	888
CM European Power Slovakia s.r.o.	1,421	-	306	(34)	(32)	264	(1)	263
Jadrová energetická spoločnosť Slovenska, a. s.	19	(23)	13	-	(3)	(92)	(23)	(115)
ČEZ Energo, s.r.o.	825	(145)	-	(18)	-	34	-	34

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2015 (in CZK millions):

	Current assets	Out of which: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Contribution to JV's group equity	Share of the Group	Goodwill	Total carrying amount of the investment
Akcez Enerji A.S.	208	69	8,205	925	5,085	2,403	2,403	1,201	737	1,938
Sakarya Elektrik Dagitim A.S.	1,341	13	6,216	3,693	1,055	2,809	546	273	-	273
Sakarya Elektrik Perakende Satis A.S.	4,697	1,049	242	3,632	2	1,305	(422)	(211)	-	(211)
Total Akcez Group							2,527	1,263	737	2,000
Akenerji Elektrik Üretim A.S.	5,598	2,546	17,448	1,583	11,963	9,500	9,500	3,549	960	4,509
Egemer Elektrik Üretim A.S.	2,584	1,222	12,876	2,199	14,743	(1,482)	(6,127)	(2,289)	-	(2,289)
Other subsidiaries of Akenerji Group							(188)	(70)	-	(70)
Total Akenerji Group							3,185	1,190	960	2,150
CM European Power International B.V.	12	6	1,651	1	172	1,490	1,490	745	-	745
CM European Power Slovakia s.r.o.	4,742	122	127	571	2,219	2,079	1,460	730	-	730
Jadrová energetická spoločnosť Slovenska, a. s.	1,943	1,923	3,990	16	2	5,915	5,915	2,898	-	2,898
ČEZ Energo, s.r.o.	210	64	1,498	241	607	860	860	431	96	527

	Revenues and other operating income	Depreciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	220	-	46	(387)	(1)	(1,019)	(439)	(1,458)
Sakarya Elektrik Dagitim A.S.	4,115	(169)	13	(186)	(97)	159	(384)	(225)
Sakarya Elektrik Perakende Satis A.S.	18,318	-	161	(1)	(77)	324	(222)	102
Akenerji Elektrik Üretim A.S.	2,817	(565)	107	(937)	55	(293)	(2,282)	(2,575)
Egemer Elektrik Üretim A.S.	11,399	(860)	44	(1,163)	1,057	(3,106)	(153)	(3,259)
CM European Power International B.V.	-	-	29	(12)	(3)	233	(35)	198
CM European Power Slovakia s.r.o.	1,516	-	363	(53)	(58)	210	(58)	152
Jadrová energetická spoločnosť Slovenska, a. s.	20	(20)	18	-	(3)	(16)	(154)	(170)
ČEZ Energo, s.r.o.	853	(119)	1	(10)	(10)	65	-	65

10. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Cash on hand and current accounts with banks	7,685	6,974
Short-term securities	201	1,540
Term deposits	3,340	4,968
Total	11,226	13,482

At December 31, 2016 and 2015, cash and cash equivalents included foreign currency deposits of CZK 3,590 million and CZK 2,647 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2016 and 2015 was 0.2% and 0.4%, respectively. For the years 2016 and 2015 the weighted average interest rate was 0.2% and 0.4%, respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2016 and 2015 (in CZK millions):

	2016	2015
Cash and cash equivalents as a separate line in the balance sheet	11,226	13,482
Cash and cash equivalents attributable to assets classified as held for sale (Note 15)	104	-
Total	11,330	13,482

11. Receivables, Net

The composition of receivables, net, at December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Unbilled electricity supplied to retail customers	7,876	1,209
Received advances from retail customers	(6,206)	-
Unbilled supplies to retail customers, net	1,670	1,209
Trade receivables	50,234	44,329
Taxes and fees, excluding income taxes	2,026	2,172
Other receivables	10,090	5,024
Allowance for doubtful receivables	(7,689)	(6,731)
Total	56,331	46,003

The information about receivables from related parties is included in Note 33.

Group's receivables pledged as security for liabilities at December 31, 2016 and 2015 are CZK 344 million and CZK 428 million, respectively.

At December 31, 2016 and 2015, the ageing analysis of receivables, net is as follows (in CZK millions):

	2016	2015
Not past due	52,943	44,565
Past due but not impaired ¹⁾ :		
Less than 3 months	2,530	904
3-6 months	287	168
6-12 months	196	154
more than 12 months	375	212
Total	56,331	46,003

¹⁾ Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions):

	2016	2015
Opening balance	6,731	5,997
Additions	2,173	2,009
Reversals	(1,236)	(1,216)
Acquisition of subsidiaries	26	-
Currency translation differences	(5)	(59)
Closing balance	7,689	6,731

12. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2016 and 2015 (in CZK millions):

	2016		2015	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	30,677	2,212	31,567	3,704
Emission rights granted	11,775	-	13,970	-
Settlement of prior year actual emissions with register	(28,667)	(1,954)	(26,328)	(3,707)
Emission rights purchased	15,057	2,079	11,398	2,225
Emission credits purchased	30	-	70	-
Reclassified to assets classified as held for sale	(1,463)	(91)	-	-
Currency translation differences	-	(17)	-	(10)
Granted and purchased emission rights and credits at December 31	27,409	2,229	30,677	2,212
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	2,800	624	5,042	1,017
Settlement of prior year actual emissions with register	(8)	(2)	(1,813)	(344)
Emission rights purchased	15,921	2,438	9,232	1,969
Emission rights sold	(14,053)	(2,121)	(9,672)	(2,086)
Emission credits purchased	-	-	389	3
Emission credits sold	-	-	(378)	(3)
Fair value adjustment	-	(112)	-	68
Emission rights and credits held for trading at December 31	4,660	827	2,800	624

During 2016 and 2015 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 30,401 thousand tons and 28,675 thousand tons of CO₂, respectively. At December 31, 2016 and 2015 the Group recognized a provision for CO₂ emissions in total amount of CZK 2,699 million and CZK 2,709 million, respectively (see Notes 2.13 and 20).

At December 31, 2016 and 2015 the item Emission rights in the balance sheet includes also green and similar certificates in total amount CZK 902 million and CZK 620 million, respectively.

The following table shows the impact of transactions with emission rights and credits, green and similar certificates on income for the years ended December 31, 2016 and 2015 (in CZK millions):

	2016	2015
Net gain (loss) from trading with emission rights and credits	(90)	16
Gain on green and similar certificates	1,734	511
Net loss from derivatives	(85)	(56)
Creation of provision for CO ₂ emissions	(2,639)	(2,643)
Settlement of provision for CO ₂ emissions	2,628	4,444
Remitted emission rights and credits	(1,956)	(4,051)
Fair value adjustment	(112)	68
Net loss related to emission rights, emission credits and green and similar certificates	(520)	(1,711)

13. Other Financial Assets, Net

Other financial assets, net, at December 31, 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Debt securities held-to-maturity	2,945	3,852
Debt securities available-for-sale	7	-
Term deposits	2,040	7,315
Equity securities available-for-sale	-	946
Investment in MOL	13,815	-
Equity securities held for trading	-	6
Derivatives	37,694	20,609
Total	56,501	32,728

Derivatives balance comprises mainly the positive fair values of commodity trading contracts. Equity securities available-for-sale balance includes investments in money market fund.

On February 4, 2014 the Group issued EUR 470.2 million exchangeable bonds due 2017 exchangeable for existing ordinary shares of MOL. The deal has been priced on January 28, 2014 with a coupon of 0.00% and initial exchange price has been set at EUR 61.25 per share, reflecting a premium of 35%. Bondholders will have the right to exchange the bonds for shares from January 25, 2017, subject to the issuer's right to elect to deliver an equivalent amount in cash for all or part of the shares. Embedded conversion option was separated and is shown as a separate liability from derivatives in Trade and other payables.

Short-term debt securities held-to-maturity at December 31, 2016 and 2015 have the following effective interest rate structure (in CZK millions):

	2016	2015
Less than 2.00%	2,945	3,852
Total	2,945	3,852

Debt securities available-for-sale at December 31, 2016 and 2015 have the following effective interest rate structure (in CZK millions):

	2016	2015
Less than 2.00%	7	-
Total	7	-

ČEZ, a. s. concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počeradý, a.s. to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option can be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement can be inactivated until December 31, 2019. The contracts represent derivatives that will be settled by the delivery of unquoted equity instrument. Elektrárna Počeradý, a.s. is not quoted on any market. There is significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction took place) and thus it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put option is measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

14. Other Current Assets

The composition of other current assets at December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Advances paid	1,969	2,098
Prepayments	1,258	1,297
Total	3,227	3,395

15. Assets and Associated Liabilities Classified as Held for Sale

The agreement between ČEZ and Sokolovská uhelná was concluded on October 20, 2016. The agreement includes a new purchase contract on delivery of brown coal from Sokolovská uhelná and sale of Tisová power plant to Sokolovská uhelná. Both sides agreed to take steps to terminate all the current active lawsuits as well as not to make any further claims.

The Group classified the assets and the liabilities of Tisová power plant as the assets held for sale. As at December 31, 2016 the Group recognized an impairment of these assets held for sale in the amount of CZK 299 million. This expense, representing the difference between the original book value and the sale price, is recognized in the Statement of Income in the row Impairment of Property, Plant and Equipment and Intangible Assets including Goodwill (Note 7). The sale of interest in Elektrárna Tisová took place on January 2, 2017 (Note 37).

The assets classified as held for sale and associated liabilities at December 31, 2016 are as follows (in CZK millions):

	2016		Total
	Tisová power plant	Other	
Property, plant and equipment	194	32	226
Restricted financial assets	13	–	13
Cash and cash equivalents	104	–	104
Receivables, net	152	–	152
Other current assets	152	–	152
Assets classified as held for sale	615	32	647
Non-current provisions	328	–	328
Trade and other payables	24	–	24
Current provisions	129	–	129
Other current liabilities	89	–	89
Liabilities associated with assets classified as held for sale	570	–	570

The assets and results associated with the assets classified as held for sale are reported in the operating segments Generation – Traditional Energy and Generation – New Energy.

16. Equity

As at December 31, 2016 and 2015, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

Movements of treasury shares in 2016 and 2015 (in pieces):

	2016	2015
Number of treasury shares at beginning of period	3,755,021	3,875,021
Sales of treasury shares	–	(120,000)
Number of treasury shares at end of period	3,755,021	3,755,021

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Declared dividends per share before tax were CZK 40 in 2016 and CZK 40 in 2015. Dividends from 2016 profit will be declared at the general meeting, which will be held in the first half of 2017.

Capital management

The primary objective of the Group's capital management is to keep its credit rating on the investment grade and on the level that is common in the industry and to maintain healthy capital ratios in order to support its business and maximize value for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. Considering the current structure and stability of cash flow and the development strategy, the goal of the Group is the level of this ratio in range 2.5 to 3.0. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group's policy is to keep the total debt to total capital ratio below 50% in the long term.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill and less gain (or loss) on sale of property, plant and equipment. The Group includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term equity and debt securities available-for-sale, short-term debt securities held-to-maturity, long-term debt securities available-for-sale and both short-term and long-term deposits. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2016	2015
Total long-term debt	159,473	157,271
Total short-term loans	8,343	223
Total debt	167,816	157,494
Less:		
Cash and cash equivalents	(11,226)	(13,482)
Highly liquid financial assets:		
Short-term equity securities available-for-sale (Note 13)	-	(946)
Short-term debt securities available-for-sale (Note 13)	(7)	-
Short-term debt securities held-to-maturity (Note 13)	(2,945)	(3,852)
Short-term deposits (Note 13)	(2,040)	(7,315)
Long-term deposits (Note 5)	(500)	-
Long-term debt securities available-for-sale (Note 5)	(4,646)	(676)
Total net debt	146,452	131,223
Income before income taxes and other income (expenses)	26,114	28,961
Depreciation and amortization	28,978	28,619
Impairment of property, plant and equipment and intangible assets including goodwill	3,114	7,685
Gains and losses on sale of property, plant and equipment (Note 25 and 28)	(124)	(161)
EBITDA	58,082	65,104
Total equity attributable to equity holders of the parent	256,812	267,893
Total debt	167,816	157,494
Total capital	424,628	425,387
Net debt to EBITDA ratio	2.52	2.02
Total debt to total capital ratio	39.5%	37.0%

17. Long-term Debt

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

	2016	2015
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,621	2,466
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,748	1,645
5.000% Eurobonds, due 2021 (EUR 750 million)	20,211	20,203
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,348	1,347
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,207	1,198
3M Euribor + 0,55% Eurobonds, due 2018 (EUR 200 million)	5,383	-
4.875% Eurobonds, due 2025 (EUR 750 million)	20,193	20,188
4.500% Eurobonds, due 2020 (EUR 750 million)	20,165	20,140
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,519	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)	7,353	7,111
5.625% U.S. bonds, due 2042 (USD 300 million)	7,613	7,368
4.375% Eurobonds, due 2042 (EUR 50 million)	1,326	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)	13,337	13,325
4.500% registered bonds, due 2030 (EUR 40 million)	1,061	1,060
4.750% registered bonds, due 2023 (EUR 40 million)	1,072	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⁾	12,598	12,420
Total bonds and debentures	132,044	134,701
Less: Current portion	(13,805)	(9,176)
Bonds and debentures, net of current portion	118,239	125,525
Long-term bank and other loans:		
Less than 2.00% p. a.	18,881	18,040
2.00% to 2.99% p. a.	8,545	4,530
5.00% to 5.99% p. a.	2	-
8.00% to 8.99% p. a.	1	-
Total long-term bank and other loans	27,429	22,570
Less: Current portion	(3,403)	(2,520)
Long-term bank and other loans, net of current portion	24,026	20,050
Total long-term debt	159,473	157,271
Less: Current portion	(17,208)	(11,696)
Total long-term debt, net of current portion	142,265	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 (see Note 13). The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43% p. a.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

The future maturities of long-term debt are as follows (in CZK millions):

	2016	2015
Current portion	17,208	11,696
Between 1 and 2 years	8,746	16,503
Between 2 and 3 years	4,676	2,840
Between 3 and 4 years	23,439	4,186
Between 4 and 5 years	27,225	22,926
Thereafter	78,179	99,120
Total long-term debt	159,473	157,271

The following table analyses the long-term debt by currency (in millions):

	2016		2015	
	Foreign currency	CZK	Foreign currency	CZK
EUR	4,761	128,784	4,827	130,457
USD	584	14,966	583	14,479
JPY	31,443	6,888	31,440	6,483
BGN	42	582	24	330
PLN	587	3,595	662	4,199
RON	560	3,331	-	-
CZK	-	1,327	-	1,323
Total long-term debt		159,473		157,271

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2016 and 2015 without considering interest rate hedging (in CZK millions):

	2016	2015
Floating rate long-term debt		
with interest rate fixed from 1 to 3 months	13,592	5,472
with interest rate fixed from 3 months to 1 year	17,346	19,147
with interest rate fixed more than 1 year	582	330
Total floating rate long-term debt	31,520	24,949
Fixed rate long-term debt	127,953	132,322
Total long-term debt	159,473	157,271

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 18 and Note 19.

18. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are determined based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost and the fair value information is not disclosed.

Short-term receivables and payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2016 and 2015 are as follows (in CZK millions):

	Category	2016		2015	
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS:					
Investments:					
Restricted debt securities available-for-sale	AFS	15,920	15,920	14,320	14,320
Restricted cash	LaR	3,091	3,091	3,739	3,739
Financial assets in progress	LaR	6	6	-	-
Term deposits	LaR	500	500	-	-
Debt securities available-for-sale	AFS	4,646	4,646	676	676
Equity securities available-for-sale *	AFS	4,351	4,351	12,979	12,979
Long-term receivables	LaR	794	794	1,937	1,937
Current assets:					
Receivables	LaR	54,305	54,305	43,190	43,190
Cash and cash equivalents	LaR	11,226	11,226	13,482	13,482
Debt securities held-to-maturity	HTM	2,945	2,945	3,852	3,852
Term deposits	LaR	2,040	2,040	7,315	7,315
Equity securities held for trading	HFT	-	-	6	6
Debt securities available-for-sale	AFS	7	7	-	-
Equity securities available-for-sale *	AFS	13,815	13,815	946	946
Other current assets	LaR	1,969	1,969	2,098	2,098
LIABILITIES:					
Long-term debt	AC	(159,473)	(180,430)	(157,271)	(175,831)
Short-term loans	AC	(8,343)	(8,343)	(223)	(223)
Accounts payable	AC	(42,112)	(42,112)	(41,137)	(41,137)
DERIVATIVES:					
Cash flow hedges:					
Short-term receivables	HFT	5	5	549	549
Long-term receivables	HFT	2,684	2,684	6,242	6,242
Short-term liabilities	HFT	-	-	(111)	(111)
Long-term liabilities	HFT	(4,740)	(4,740)	(626)	(626)
Total cash flow hedges		(2,051)	(2,051)	6,054	6,054
Commodity derivatives:					
Short-term receivables	HFT	37,286	37,286	19,178	19,178
Long-term receivables	HFT	530	530	-	-
Short-term liabilities	HFT	(36,924)	(36,924)	(15,823)	(15,823)
Total commodity derivatives		892	892	3,355	3,355
Other derivatives:					
Short-term receivables	HFT	403	403	881	881
Long-term receivables	HFT	949	949	764	764
Short-term liabilities	HFT	(1,480)	(1,480)	(939)	(939)
Long-term liabilities	HFT	(1,028)	(1,028)	(1,330)	(1,330)
Total other derivatives		(1,156)	(1,156)	(624)	(624)

* Some of the equity securities available-for-sale are carried at cost as the fair value cannot be reliably measured.

LaR Loans and receivables
 AFS Available-for-sale investments
 HTM Held-to-maturity instruments
 HFT Held for trading or hedging instruments
 AC Financial liabilities at amortized cost

18.1. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between the levels in 2016 and 2015.

As at December 31, 2016, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Commodity derivatives	37,816	433	37,383	-
Cash flow hedges	2,689	447	2,242	-
Other derivatives	1,352	131	1,221	-
Restricted debt securities available-for-sale	15,920	15,920	-	-
Debt securities available-for-sale	4,653	4,653	-	-
Equity securities available-for-sale*	14,947	14,947	-	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Commodity derivatives	(36,924)	(2,133)	(34,791)	-
Cash flow hedges	(4,740)	(983)	(3,757)	-
Other derivatives	(2,508)	(10)	(2,498)	-

Assets and liabilities for which fair values are disclosed	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity	2,945	-	2,945	-
Term deposits	2,540	-	2,540	-
Long-term debt	(180,430)	(118,956)	(61,474)	-

As at December 31, 2015, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Commodity derivatives	19,178	514	18,664	-
Cash flow hedges	6,791	2,259	4,532	-
Other derivatives	1,645	35	1,610	-
Equity securities held for trading	6	6	-	-
Restricted debt securities available-for-sale	14,320	14,320	-	-
Debt securities available-for-sale	676	676	-	-
Equity securities available-for-sale*	12,979	12,979	-	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Commodity derivatives	(15,823)	(1,793)	(14,030)	-
Cash flow hedges	(737)	(2)	(735)	-
Other derivatives	(2,269)	(507)	(1,762)	-

Assets and liabilities for which fair values are disclosed	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity	3,852	-	3,852	-
Term deposits	7,315	-	7,315	-
Long-term debt	(175,831)	(126,220)	(49,611)	-

* Some of the equity securities available-for-sale are carried at cost as the fair value cannot be reliably measured.

The Group enters into derivative financial instruments with various counterparties, principally large power and utility groups and financial institutions with high credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and option pricing models (e.g. Black-Scholes). The models incorporate various inputs including the forward rate curves of the underlying commodity, foreign exchange spot and forward rates and interest rate curves.

18.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2016 and 2015 (in CZK millions):

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	41,857	(44,172)	27,615	(18,829)
Other financial instruments*	28,617	(23,827)	23,610	(24,758)
Collaterals paid (received)**	1,341	(1,222)	1,309	(536)
Gross financial assets / liabilities	71,815	(69,221)	52,534	(44,123)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	71,815	(69,221)	52,534	(44,123)
Effect of master netting agreements	(68,965)	68,965	(33,402)	33,402
Net amount after master netting agreements	2,850	(256)	19,132	(10,721)

* Other financial instruments consist of invoices due from derivative trading and are included in Receivables, net or Trade and other payables.

** Collaterals paid are included in Receivables, net and collaterals received are included in Trade and other payables.

When trading with derivative instruments, ČEZ enters into the EFET and ISDA framework contracts. These contracts generally allow mutual offset of receivables and payables upon the premature termination of agreement. The reason for premature termination is insolvency or non-fulfillment of agreed terms by the counterparty. The right to mutual offset is either embedded in the framework contract or results from the security provided. There is CSA (Credit Support Annex) concluded with some counterparties defining the permitted limit of exposure. When the limit is exceeded, there is a transfer of cash reducing exposure below an agreed level. Cash security (collateral) is also included in the final offset.

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 11 and 23.

Short-term derivative assets are included in the balance sheet in Other financial assets, net, long-term derivative assets in Investments and other financial assets, net, long-term derivative liabilities in Other long-term liabilities and short-term derivative liabilities in Trade and other payables.

19. Financial Risk Management

Risk management approach

A risk management system is being successfully developed in order to protect the Group's value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

A risk capital concept is applied within the Group. The concept allows the setting of basic cap for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit, revenues and costs of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closing long-term contracts for electricity sale and emission allowances purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating. Risks of Investment Projects are also managed and monitored based on unified quantification of all kinds of risk according to Group methodology.

Risk management organization

The supreme authority responsible for risk management in ČEZ, a. s. is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s. Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s. based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

19.1. Qualitative Description of Risks Associated with Financial Instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency, interest and stock price risks)

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused mainly on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows of the Group (including operational and investment foreign currency flows).

Credit risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

The Group's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2016 and 2015 is the carrying value of each class of financial assets except for financial guarantees. Credit risk from balances with banks and financial institutions is managed by the Group's risk management department in cooperation with Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

19.2. Qualitative Description of Risks Associated with Financial Instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IAS 39 (the underlying commodities in the Group's derivative transactions are: electricity, EUA and CER/ERU emission allowances, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series
- the source of market data is mainly EEX, PXE and ICE
- the indicator VaR illustrates mainly the impact of revaluation of above mentioned financial instruments to statement of income.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2016	2015
Monthly VaR (95%) – impact of changes in commodity prices	962	616

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly VaR (95% confidence)
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series
- the relevant currency position is defined mainly as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2017 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg
- the indicator VaR illustrates mainly the impact of revaluation of above mentioned currency position to statement of income.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2016	2015
Monthly currency VaR (95% confidence)	599	848

Interest risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification (as at December 31) was based on the following assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk
- the statement of income sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31
- the considered interest positions reflect all significant interest-sensitive positions of the Group companies
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest risk as at December 31 (in CZK millions):

	2016	2015
IR sensitivity* to parallel yield curve shift (+10bp)	(18)	(9)

* Negative result denotes higher increase in interest costs than in interest revenues

Stock price risks

The required quantitative information on risks (i.e. a potential change of financial instruments market value resulting from the effects of stock price risk as at December 31) was based on the assumptions given below:

- monthly VaR (95% confidence) was selected as the indicator of stock price risk
- the relevant stock position is defined as market value of stocks/stock options as at December 31
- the considered stock positions reflect all significant stock-sensitive deals of the CEZ Group companies
- the relevant volatility and standard deviation is determined from risk module IS Bloomberg
- the source of market data is IS Bloomberg and ČNB data
- the indicator VaR illustrates mainly impact of revaluation of above mentioned stock position, classified as equity securities available-for-sale, to statement of comprehensive income.

Potential impact of the stock price risk as at December 31 (in CZK millions):

	2016	2015
Monthly stock VaR (95% confidence)	1,326	985

Credit exposure

Credit exposure from provided guarantees at December 31 (in CZK millions):

	2016	2015
Guarantees provided to joint-ventures*	3,212	2,998

* Some of the guarantees could be called until June 2026 at the latest.

The guarantees provided relate to bank loans. The beneficiary may claim the guarantee only upon failure to comply with certain conditions of loans. The companies whose liabilities are the subject to the guarantees currently comply with their obligations.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2016 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*	Guarantees issued**
Due in 2017	11,941	18,788	42,189	242,087	3,212
Due in 2018	3,647	10,352	9	32,828	-
Due in 2019	3,474	6,314	1,251	12,371	-
Due in 2020	3,399	25,114	-	6,298	-
Due in 2021	3,063	28,298	-	9,880	-
Thereafter	11,168	94,038	-	45,963	-
Total	36,692	182,904	43,449	349,427	3,212

Contractual maturity profile of financial liabilities at December 31, 2015 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*	Guarantees issued**
Due in 2016	2,882	14,446	41,291	260,322	2,998
Due in 2017	3,004	18,550	159	27,968	-
Due in 2018	2,949	4,934	2	8,457	-
Due in 2019	2,939	6,284	1,751	3,679	-
Due in 2020	2,871	25,056	-	5,998	-
Thereafter	8,848	120,959	-	55,754	-
Total	23,493	190,229	43,203	362,178	2,998

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 18.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Group as at December 31, 2016 and 2015 amounted to CZK 21.7 billion and CZK 30.5 billion, respectively.

19.3. Hedge Accounting

The Group enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2017 to 2021. The hedging instruments as at December 31, 2016 and 2015 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.9 billion and EUR 2.9 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK 1,537 million and CZK 1,245 million at December 31, 2016 and 2015, respectively.

The Group also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2018 to 2022. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (3,588) million and CZK 4,263 million at December 31, 2016 and 2015, respectively.

The Group applied cash flow hedges of future highly probable purchases of emission allowances which had been expected to occur in 2016. The hedging instruments as at December 31, 2015 were the futures contracts for the purchase of allowances equivalent to 7.3 million tons of CO₂ emissions. The fair value of these derivative hedging instruments amounted to CZK 546 million at December 31, 2015. The final settlement of the purchase of these hedged emission allowances was in 2016.

In 2016 and 2015 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity and related services, Gains and losses from commodity derivative trading, net, Emission rights, net, Other financial expenses and Other financial income. In 2016 and 2015 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (29) million and CZK (791) million, respectively. The ineffectiveness in 2016 and 2015 was mainly caused by the fact that the hedged cash flows are no more highly probable to occur.

20. Provisions

Provisions at December 31, 2016 and 2015 are as follows (in CZK millions):

	2016			2015		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	53,585	1,918	55,503	48,083	2,038	50,121
Provision for reclamation of mines and mining damages	7,362	271	7,633	7,289	274	7,563
Provision for waste storage reclamation	974	98	1,072	1,501	99	1,600
Provision for CO ₂ emissions (see Note 12)	-	2,699	2,699	-	2,709	2,709
Other provisions	4,439	3,174	7,613	3,652	3,099	6,751
Total	66,360	8,160	74,520	60,525	8,219	68,744

20.1. Nuclear Provisions

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four units which were put into service from 1985 to 1987. Nuclear power plant Temelín has two units which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life. For the purpose of accounting for the nuclear provisions, it is assumed that the end of the plant's operating life will be 2035 for Dukovany and 2042 for Temelín. A 2013 Dukovany and a 2014 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 22.4 billion and CZK 18.4 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet as part of Restricted financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by legislation at 50 CZK per MWh produced at nuclear power plants till 2016 and at 55 CZK per MWh produced at nuclear power plants since 2017. In 2016 and 2015, the payments to the nuclear account amounted to CZK 1,205 million and CZK 1,342 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2016 and 2015 (in CZK millions):

	Accumulated provisions			Total
	Nuclear Decommissioning	Spent fuel storage		
		Interim	Long-term	
Balance at December 31, 2014	16,808	7,365	23,129	47,302
Movements during 2015:				
Discount accretion and effect of inflation	504	221	694	1,419
Provision charged to income statement	-	544	-	544
Effect of change in estimate charged to income statement	-	22	-	22
Effect of change in estimate added to fixed assets (Note 2.24)	2,186	64	642	2,892
Current cash expenditures	-	(716)	(1,342)	(2,058)
Balance at December 31, 2015	19,498	7,500	23,123	50,121
Movements during 2016:				
Discount accretion and effect of inflation	487	188	578	1,253
Provision charged to income statement	-	421	-	421
Effect of change in estimate credited to income statement	-	(72)	-	(72)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(1,093)	46	6,748	5,701
Current cash expenditures	-	(716)	(1,205)	(1,921)
Balance at December 31, 2016	18,892	7,367	29,244	55,503

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers and other related equipment.

In 2016, the Group recorded a change in estimate for interim storage of spent nuclear fuel in connection with the change of anticipated future storage costs, in estimate for the nuclear decommissioning in connection with the change of timing of the costs for decommissioning expenditure in Dukovany nuclear power plant and in estimate for permanent storage of spent nuclear fuel because of the change in expected production in nuclear power plants and in the amount of the contribution paid to the state nuclear account from the year 2017 on.

In 2015 the Group recorded the change in estimate for interim spent fuel storage in connection with the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning in connection with the change in discount rate and the change in long-term spent fuel storage in connection with the modification of the expected output of the nuclear power plants and change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

20.2. Provision for Mine Reclamation and Mining Damages and Waste Storage Reclamation

The following table shows the movements of provisions for the years ended December 31, 2016 and 2015 (in CZK millions):

	Mine reclamation and damages	Waste storage
Balance at December 31, 2014	6,749	1,574
Movements during 2015:		
Discount accretion and effect of inflation	194	47
Provision charged to income statement	55	-
Effect of change in estimate added to fixed assets (Note 2.25)	860	35
Current cash expenditures	(295)	(47)
Reversal of provision	-	(9)
Balance at December 31, 2015	7,563	1,600
Movements during 2016:		
Discount accretion and effect of inflation	182	31
Provision charged to income statement	72	22
Effect of change in estimate added to (deducted from) fixed assets (Note 2.25)	78	(149)
Reclassification to liabilities associated with assets classified as held for sale	-	(323)
Current cash expenditures	(262)	(70)
Reversal of provision	-	(39)
Balance at December 31, 2016	7,633	1,072

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates open pit coal mines and is responsible for decommissioning and reclamation of the mines as well as for damages caused by the operations of the mines. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

21. Other Long-term Liabilities

Other long-term liabilities at December 31, 2016 and 2015 are as follows (in CZK millions):

	2016	2015
Deferred connection fees	3,924	4,601
Derivatives	5,768	1,956
Other	1,511	2,122
Total	11,203	8,679

22. Short-term Loans

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

	2016	2015
Short-term bank loans	7,962	40
Bank overdrafts	381	183
Total	8,343	223

Interest on short-term loans is variable. The weighted average interest rate was 0.2% and 0.7% at December 31, 2016 and 2015, respectively. For the years 2016 and 2015 the weighted average interest rate was 0.4% and 1.7%, respectively.

23. Trade and Other Payables

Trade and other payables at December 31, 2016 and 2015 are as follows (in CZK millions):

	2016	2015
Advances received from retail customers	12,160	18,710
Unbilled electricity supplied to retail customers	(11,022)	(15,532)
Received advances from retail customers, net	1,138	3,178
Trade payables	36,941	32,329
Fair value of option (see Note 13)	1,228	182
Derivatives	37,176	16,691
Other	4,033	5,630
Total	80,516	58,010

The information about payables to related parties is included in Note 33.

24. Accrued Liabilities

Accrued liabilities at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Accrued interest	2,203	2,328
Taxes and fees, except income tax	2,039	2,258
Unbilled goods and services	9,627	8,807
Deferred income	251	425
Other	131	127
Total	14,251	13,945

25. Revenues and Other Operating Income

The composition of revenues and other operating income for the years ended December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Sales of electricity and related services:		
Sales of electricity to end customers	50,159	54,742
Sales of electricity through energy exchange	4,766	4,920
Sales of electricity to traders	37,138	35,672
Sales to distribution and transmission companies	324	344
Other sales of electricity	15,653	16,211
Effect of hedging – presales of electricity (Note 19.3)	2,989	4,055
Effect of hedging – currency risk hedging (Note 19.3)	(1,957)	(3,297)
Sales of ancillary, system, distribution and other services	65,872	69,458
Total sales of electricity and related services	174,944	182,105
Sales of gas, coal, heat and other revenues:		
Sales of gas	9,214	8,294
Sales of coal	4,518	4,331
Sales of heat	6,877	6,443
Other	6,456	5,501
Total sales of gas, coal, heat and other revenues	27,065	24,569
Other operating income:		
Contractual fines and interest fees for delays	442	735
Gain on sale of property, plant and equipment	148	184
Gain on sale of material	87	147
Other	1,058	2,427
Total other operating income	1,735	3,493
Total revenues and other operating income	203,744	210,167

26. Gains and Losses from Commodity Derivative Trading, Net

The composition of gains and losses from commodity derivative trading, net for the years ended December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Electricity derivative trading:		
Sales – domestic	4,017	5,292
Sales – foreign	134,083	163,456
Purchases – domestic	(3,418)	(4,864)
Purchases – foreign	(130,452)	(158,809)
Effect of hedging – currency risk hedging (Note 19.3)	(27)	(76)
Changes in fair value of derivatives	(4,246)	(4,595)
Total gains from electricity derivative trading, net	(43)	404
Other commodity derivative trading:		
Loss from gas derivative trading	(221)	(228)
Loss from oil derivative trading	(92)	(714)
Loss from coal derivative trading	(12)	(2)
Total gains and losses from commodity derivative trading, net	(368)	(540)

27. Salaries and Wages

Salaries and wages for the years ended December 31, 2016 and 2015 were as follows (in CZK millions):

	2016		2015	
	Total	Key management personnel ¹⁾	Total	Key management personnel ¹⁾
Salaries and wages including remuneration of the board members	(13,591)	(217)	(12,547)	(224)
Share options	(22)	(22)	(31)	(31)
Social and health security	(4,326)	(36)	(4,024)	(37)
Other personal expenses	(1,219)	(22)	(1,156)	(16)
Total	(19,158)	(297)	(17,758)	(308)

¹⁾ Key management personnel represent members of Supervisory Board, Audit Committee and Board of Directors of the parent company and selected managers of departments with group field of activity. The remuneration of former members of company bodies is also included in personal expenses.

At December 31, 2016 and 2015, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,512 thousand and 2,391 thousand, respectively.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure according to rules of the share option plan. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficiary has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2016 and 2015 the Company recognized a compensation expense of CZK 22 million and CZK 31 million, respectively, related to the granted options.

The following table shows changes during 2016 and 2015 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			Weighted average exercise price (CZK per share)
	Board of Directors ('000s)	Selected managers ('000s)	Total ('000s)	
Share options at December 31, 2014	1,827	748	2,575	643.14
Options granted	550	175	725	541.45
Options exercised ¹⁾	(100)	(20)	(120)	565.54
Options forfeited	(457)	(332)	(789)	749.16
Share options at December 31, 2015 ²⁾	1,820	571	2,391	581.18
Options granted	550	185	735	423.59
Options forfeited	(390)	(224)	(614)	646.36
Share options at December 31, 2016 ²⁾	1,980	532	2,512	519.16

¹⁾ In 2015 the weighted average market share price at the date of the exercise for the options exercised was CZK 635.79.

²⁾ At December 31, 2016 and 2015 the number of exercisable options was 1,107 thousand and 988 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 566.62 per share and CZK 602.30 per share at December 31, 2016 and 2015, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2016	2015
Weighted average assumptions:		
Dividend yield	4.6%	4.2%
Expected volatility	24.1%	22.8%
Mid-term risk-free interest rate	0.3%	0.3%
Expected life (years)	1.4	1.4
Grant-date share price (CZK per share)	422.7	523.1
Weighted average grant-date fair value of options (CZK per 1 option)	36.3	36.7

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at December 31, 2016 and 2015 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2016	2015
CZK 350–550 per share	1,565	910
CZK 550–750 per share	947	1,481
Total	2,512	2,391

The options granted which were outstanding as at December 31, 2016 and 2015 had an average remaining contractual life of 1.8 years and 1.9 years, respectively.

28. Other Operating Expenses

Other operating expenses for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Services	(11,812)	(10,502)
Travel expenses	(212)	(192)
Losses on sale of property, plant and equipment	(24)	(23)
Losses on sale of material	(66)	(11)
Capitalization of expenses to the cost of assets and change in own inventory	2,355	2,848
Fines and interest fees for delays	(20)	(353)
Change in provisions and valuation allowances*	(208)	1,689
Taxes and fees	(2,636)	(2,758)
Write-off of bad debts	(292)	(532)
Gifts	(351)	(325)
Other	(1,857)	(2,095)
Total	(15,123)	(12,254)

* In 2016 and 2015 the Group impaired its work in progress related to wind projects in Poland in the amount of CZK 671 million and CZK 9 million, respectively. The increase in the valuation allowance was caused especially due to new legislation enacted in Poland in 2016 that resulted in decrease of expected future cash flows.

Taxes and fees include the contributions to the nuclear account (see Note 20.1). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

29. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Loans and receivables	47	50
Held-to-maturity investments	38	29
Available-for-sale investments	184	214
Bank accounts	34	95
Total	303	388

30. Other Financial Expenses

Other financial expenses for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Derivative losses	(1,046)	(123)
Loss on sales of available-for-sale financial assets	(12)	-
Change in impairment of financial investments	(3)	-
Costs of buy back of bonds	-	(843)
Other	(203)	(144)
Total	(1,264)	(1,110)

31. Other Financial Income

Other financial income for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Derivative gains	325	423
Gain on sales of available-for-sale financial assets	80	514
Dividend income	632	685
Refunded gift tax on emission rights	-	3,823
Other	305	211
Total	1,342	5,656

In November 2015 the Group was refunded part of the gift tax on emission allowances paid in 2011 and 2012 based on the decisions of Appellate Tax Directorate.

32. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2016 and 2015. The Czech corporate income tax rate enacted for 2017 and on is 19%. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potential effect on reported income.

The components of the income tax provision are as follows (in CZK millions):

	2016	2015
Current income tax charge	(4,795)	(6,564)
Adjustments in respect of current income tax of previous periods	26	21
Deferred income taxes	16	195
Total	(4,753)	(6,348)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2016	2015
Income before income taxes	19,328	26,895
Statutory income tax rate in Czech Republic	19%	19%
"Expected" income tax expense	(3,672)	(5,110)
Tax effect of:		
Non-deductible gains and losses from derivatives	(262)	(23)
Non-deductible expenses related to shareholdings	(25)	(16)
Goodwill and other non-current assets impairment	(204)	(128)
Non-deductible fines and penalties	-	(82)
Non-deductible share based payment expense	(4)	(6)
Gift tax on emission allowances	-	726
Taxation of intercompany dividends	-	(450)
Share of profit (loss) from joint-ventures	(545)	(330)
Income already taxed or exempt	135	151
Tax credits	28	44
Gain on sale of joint-venture	31	-
Adjustments in respect of current income tax of previous periods	26	21
Effect of different tax rate in other countries	137	(154)
Change in unrecorded deferred tax asset	(344)	(717)
Other non-deductible items, net	(54)	(274)
Income taxes	(4,753)	(6,348)
Effective tax rate	25%	24%

Deferred income taxes, net, at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Nuclear provisions	8,813	7,894
Financial statement depreciation in excess of tax depreciation	2,230	1,818
Revaluation of financial instruments	1,783	45
Allowances	1,506	1,221
Other provisions	2,316	1,648
Tax loss carry forwards	1,153	638
Other temporary differences	462	844
Unrecorded deferred tax asset	(1,126)	(782)
Total deferred tax assets	17,137	13,326
Tax depreciation in excess of financial statement depreciation	(33,229)	(31,507)
Revaluation of financial instruments	(415)	(389)
Other provisions	(527)	(602)
Other temporary differences	(1,583)	(1,250)
Total deferred tax liability	(35,754)	(33,748)
Total deferred tax liability, net	(18,617)	(20,422)
Reflected in the balance sheet as follows:		
Deferred tax assets	1,596	1,631
Deferred tax liability	(20,213)	(22,053)
Total deferred tax liability, net	(18,617)	(20,422)

Movements in net deferred tax liability, net, in 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Opening balance	20,422	18,871
Deferred tax recognized in profit or loss	(16)	(195)
Deferred tax recognized in other comprehensive income	(1,732)	1,764
Acquisition of subsidiaries	(11)	-
Currency translation differences	(46)	(18)
Closing balance	18,617	20,422

At December 31, 2016 and 2015 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 33,800 million and CZK 26,954 million, respectively.

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

	2016			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	(7,438)	1,413	(6,025)	11,919	(2,264)	9,655
Cash flow hedges reclassified to statement of income	(1,629)	310	(1,319)	(1,954)	371	(1,583)
Cash flow hedges reclassified to assets	(85)	16	(69)	(230)	44	(186)
Change in fair value of available-for-sale financial assets recognized in equity	4,620	(10)	4,610	1,440	72	1,512
Available-for-sale financial assets reclassified from equity	(10)	2	(8)	(103)	16	(87)
Translation differences – subsidiaries	(536)	-	(536)	(1,046)	-	(1,046)
Translation differences – joint-ventures	(617)	-	(617)	(1,218)	-	(1,218)
Translation differences reclassified from equity	(127)	-	(127)	1	-	1
Share on other equity movements of joint-ventures	26	-	26	(38)	-	(38)
Re-measurement gains (losses) on defined benefit plans	10	1	11	(28)	(3)	(31)
Total	(5,786)	1,732	(4,054)	8,743	(1,764)	6,979

33. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2016 and 2015, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2016	2015	2016	2015
Akcez Enerji A.S.	8	10	-	-
CM European Power Slovakia s.r.o. ¹⁾	-	494	-	-
ČEZ Energo, s.r.o.	48	127	11	35
in PROJEKT LOUNY ENGINEERING s.r.o.	14	13	9	9
LOMY MOŘINA spol. s r.o.	1	-	22	21
OSC, a.s.	-	-	18	32
Ústav aplikované mechaniky Brno, s.r.o.	1	1	32	24
Výzkumný a zkušební ústav Plzeň s.r.o.	55	58	8	3
Other	12	103	8	16
Total	139	806	108	140

¹⁾ Company was related party till November 30, 2016

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2016	2015	2016	2015
Akcez Enerji A.S.	29	41	-	-
Akenerji Elektrik Üretim A.S.	33	39	-	-
ČEZ Energo, s.r.o.	269	384	51	293
in PROJEKT LOUNY ENGINEERING s.r.o.	28	22	36	16
LOMY MOŘINA spol. s r.o.	11	11	189	169
OSC, a.s.	-	-	121	129
Teplo Klášterec s.r.o.	56	55	1	-
Ústav aplikované mechaniky Brno, s.r.o.	2	2	57	37
Výzkumný a zkušební ústav Plzeň s.r.o.	2	70	9	8
Other	58	110	35	41
Total	488	734	499	693

Dividend income, interest and other financial income from related parties for the relevant financial year (in CZK millions):

	Interest and other financial income		Dividend income	
	2016	2015	2016	2015
Akcez Enerji A.S.	9	13	-	-
CM European Power Slovakia s.r.o. ¹⁾	8	13	-	108
LOMY MOŘINA spol. s r.o.	-	-	14	20
OSC, a.s.	-	-	24	21
Teplo Klášterec s.r.o.	-	-	10	8
Other	3	4	-	3
Total	20	30	48	160

¹⁾ Company was related party till November 30, 2016

Information about compensation of key management personnel is included in Note 27.

34. Segment Information

The Group reports its result using six reportable operating segments:

- 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 EBITDA (see Note 16).

The following tables summarize segment information by operating segments for the years ended December 31, 2016 and 2015 (in CZK millions):

Year 2016	Generation – Traditional Energy	Generation – New Energy	Distri- bution	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	55,728	3,389	29,698	107,432	4,826	2,671	203,744	–	203,744
Revenues and other operating income – intersegment	32,121	597	30,872	5,362	5,091	19,125	93,168	(93,168)	–
Total revenues and other operating income	87,849	3,986	60,570	112,794	9,917	21,796	296,912	(93,168)	203,744
EBITDA	21,991	3,403	20,361	5,488	4,412	2,423	58,078	4	58,082
Depreciation and amortization	(17,199)	(1,589)	(6,044)	(72)	(2,415)	(1,659)	(28,978)	–	(28,978)
Impairment of property, plant and equipment and intangible assets including goodwill	(415)	(2,703)	(5)	(2)	–	11	(3,114)	–	(3,114)
EBIT	4,387	(890)	14,337	5,415	1,998	863	26,110	4	26,114
Interest on debt and provisions	(3,784)	(285)	(399)	(12)	(184)	(345)	(5,009)	753	(4,256)
Interest income	891	3	42	4	8	108	1,056	(753)	303
Share of profit (loss) from joint-ventures	(1,366)	17	277	(442)	11	(1,230)	(2,733)	–	(2,733)
Income taxes	(312)	(260)	(2,523)	(1,039)	(364)	(255)	(4,753)	–	(4,753)
Net income	13,506	(1,248)	11,724	3,880	2,376	(916)	29,322	(14,747)	14,575
Identifiable assets	257,357	30,075	109,807	899	21,100	8,610	427,846	(953)	426,895
Investment in joint-ventures	198	544	295	756	181	3,335	5,309	–	5,309
Unallocated assets									198,637
Total assets									630,841
Capital expenditure	16,079	1,053	10,257	105	1,985	8,652	38,131	(7,966)	30,165
Average number of employees	6,629	72	7,867	1,909	2,677	7,146	26,300	–	26,300

Year 2015	Generation – Traditional Energy	Generation – New Energy	Distri- bution	Sales	Mining	Other	Combined	Elimination	Consoli- dated
Revenues and other operating income – other than intersegment	54,176	3,474	32,467	113,154	4,676	2,220	210,167	–	210,167
Revenues and other operating income – intersegment	36,293	716	32,000	6,635	5,026	18,340	99,010	(99,010)	–
Total revenues and other operating income	90,469	4,190	64,467	119,789	9,702	20,560	309,177	(99,010)	210,167
EBITDA	29,000	2,373	20,042	6,898	4,325	2,475	65,113	(9)	65,104
Depreciation and amortization	(16,735)	(1,696)	(5,903)	(32)	(2,419)	(1,834)	(28,619)	–	(28,619)
Impairment of property, plant and equipment and intangible assets including goodwill	(3,751)	(2,482)	(1,448)	(4)	–	–	(7,685)	–	(7,685)
EBIT	8,494	(1,804)	12,731	6,862	1,912	775	28,970	(9)	28,961
Interest on debt and provisions	(4,172)	(510)	(278)	(3)	(195)	(297)	(5,455)	921	(4,534)
Interest income	976	2	46	9	12	264	1,309	(921)	388
Share of profit (loss) from joint-ventures	(1,090)	33	80	162	14	(854)	(1,655)	–	(1,655)
Income taxes	(1,223)	(379)	(2,852)	(1,290)	(360)	(244)	(6,348)	–	(6,348)
Net income	29,549	(2,926)	9,725	5,732	2,093	594	44,767	(24,220)	20,547
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
Capital expenditure	17,514	309	9,659	68	1,776	9,246	38,572	(7,078)	31,494
Average number of employees	6,658	69	7,689	1,692	2,679	7,035	25,822	–	25,822

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues and other operating income according to the location of the entity where the revenues are originated (in CZK million):

	2016	2015
Czech Republic	150,884	155,917
Bulgaria	24,431	25,043
Romania	13,070	13,099
Poland	7,606	6,843
Germany	2	-
Other	7,751	9,265
Total revenues and other operating income	203,744	210,167

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2016 and 2015 (in CZK million):

	2016	2015
Czech Republic	377,539	374,612
Bulgaria	10,322	10,019
Romania	26,212	29,389
Poland	7,229	7,343
Germany	5,592	-
Other	1	1
Total property, plant and equipment	426,895	421,364

35. Net Income per Share

	2016	2015
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	14,281	20,739
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,235	534,193
Dilutive effect of share options	7	84
Diluted:		
Adjusted weighted average shares	534,242	534,277
Net income per share (CZK per share)		
Basic	26.7	38.8
Diluted	26.7	38.8

36. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2016 over the next five years as follows (in CZK billion):

2017	30.7
2018	30.9
2019	32.5
2020	32.6
2021	34.5
Total	161.2

These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2016 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations for energy generation purposes is liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other nuclear installations and activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has obtained all insurance policies with minimal limits as required by the law.

The Group also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third party liability insurance in connection with main operations of the Group.

37. Events after the Balance Sheet Date

On January 2, 2017 the Group disposed of its 100% interest in company Elektrárna Tisová, a.s. (Note 15).

In January 2017 the Company selected the winner of the tender for the sale of its housing assets in Prague Písnice. The sale is expected to take place in the first half of 2017.

These consolidated financial statements have been authorized for issue on March 20, 2017.



Daniel Beneš
Chairman of Board of Directors



Martin Novák
Vice-chairman of Board of Directors

Independent Auditor's Report



To the Shareholders of ČEZ, a. s.:

Opinion

We have audited the accompanying financial statements of ČEZ, a. s. (hereinafter also the “Company”) prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS EU”), which comprise the balance sheet as at 31 December 2016, and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ČEZ, a. s. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with IFRS EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Impairment of assets

The Company conducts annual impairment tests of assets' balances. The impairment test involves determining the recoverable amount of the cash-generating unit as a whole or individual assets as practicable, which corresponds to the value in use or selling price less cost to sell. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit.

These calculations of potential impairment amounts are a key audit matter as there is a significant uncertainty in relation to regulatory matters or government support for renewable energy, which are, together with other significant assumptions included in the estimated future cash flows, main inputs to the calculations. Main assumptions that are subject to significant estimation uncertainty are projected future wholesale electricity prices, prices of emission allowances, market access, development of the regulatory environment and discount rates as well as the strategy of the Company. Future cash flows relate to events and actions that have not yet occurred and may not occur. Another reason for impairment to be a key audit matter is the fact that the determination of cash-generating unit is to some extent subject to management judgement.

Our procedures included assessing the assumptions and methodologies used by the Company in their value in use models and assessment of the fair value less cost to sell. We involved our internal valuation specialists in assessing the adequacy of the Company's model used for the calculation of weighted average cost of capital and we also evaluated mathematical accuracy, underlying data and assumptions used in the calculation. We evaluated main assumptions that are subject to significant estimates such as future wholesale electricity prices, prices of emission allowances, development of the regulatory environment and compared them to those observable on the market. We compared electricity prices as well as the prices of emission allowances to the contracts, which are actively traded on the market, and we assessed reasonableness of the Company's projections of these future prices for periods, for which the market data are not available. We also discussed the assumptions with the transaction specialists.

We analyzed the budgets and future cash flows of the cash-generating units. We compared the expected developments in budgeted cash flows to the expectations presented by the management while assessing the main assumptions of the models and discussing alternatives. We also assessed the adequacy of the model used for the impairment test calculation together with the definition of the cash-generating units and mathematical accuracy of the calculations.

Finally, we also focused on whether the Company's disclosures in the financial statements in relation to the impairment of assets, as presented and disclosed in Note 3 Property, Plant and Equipment, are compliant with the IFRS EU.



Fair value measurement of financial instruments

Due to the significance of financial instruments measured at fair value, and a high degree of judgement related to their valuation, we consider this as a key audit matter.

We involved the internal valuation specialists to assist us in performing our audit procedures. We assessed the design and tested the operating effectiveness of internal controls over the valuation, data integrity, independent price verification and model approval.

For areas of higher risk and estimation, our audit procedures focused on the comparison of judgments made to market practice and reperformance of valuations over a selection of instruments, assessing the key inputs, assumptions and models used in the valuation process. We compared our results with the Company's valuation.

We also focused on whether the Company's disclosures in the financial statements in relation to the valuation of financial instruments, as presented and disclosed in Note 14 Fair Value of Financial Instruments, are compliant with the IFRS EU.

Classification of commodity contracts

The Company is entering into commodity contracts on different markets and platforms mainly in Central Europe and Germany. Commodity trading activities include trading with electricity, gas, emission allowances, oil and coal.

This is a key audit matter as the distinction between the contracts in scope of IAS 39 Financial Instruments: Recognition and Measurement, which are treated as derivatives at fair value, and "own use" contracts, which are not remeasured to fair value, might be subject to a judgement and classification patterns set by the Company. This classification depends among other factors on the terms of the contract, whether the contract is considered to have been entered into as part of ordinary business activity, whether contract requires physical delivery of the commodity, and depends on various assumptions such as expected amount of commodity to be delivered, generation capacity of the portfolio mix and prices of commodities.

We tested the design and operating effectiveness of internal controls over the initial recognition of the contract, consistency of the commodity contract designation and the Company's ability to deliver the physical commodity over the contractual period.

We performed audit procedures focusing on the analysis and comparison of volume of commodities physically delivered during 2016 and the volumes of the "own use" contracts portfolio. We reviewed the ability of the Company to physically deliver the contracted future "own use" sales retrospectively and prospectively and the stability of portfolio to ensure that the contracts are not reclassified during their existence.

We also focused on whether the Company's disclosures in the financial statements in relation to the commodity contracts classification, as presented and disclosed in Note 22 Gains and Losses from Commodity Derivative Trading, Net, are compliant with the IFRS EU.



Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of the Company (hereinafter only "Board of Directors") is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors and the Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Company (hereinafter only "Audit Committee") is responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Audit, s.r.o.
License No. 401

A handwritten signature in black ink, appearing to read 'Martin Skácelík', is written over a light grey background.

Martin Skácelík, Auditor
License No. 2119

20 March 2017
Prague, Czech Republic

ČEZ, a. s. – Balance Sheet in Accordance with IFRS as of December 31, 2016

in CZK Millions

ASSETS	Note	2016	2015
Property, plant and equipment:			
Plant in service		394,262	346,203
Less accumulated depreciation and impairment		(218,114)	(204,187)
Net plant in service	3	176,148	142,016
Nuclear fuel, at amortized cost	2.8, 3	14,745	12,832
Construction work in progress, net	3	50,337	85,909
Total property, plant and equipment		241,230	240,757
Other non-current assets:			
Restricted financial assets	4	13,290	12,662
Investments and other financial assets, net	5	183,885	178,692
Intangible assets, net	6	581	560
Total other non-current assets		197,756	191,914
Total non-current assets		438,986	432,671
Current assets:			
Cash and cash equivalents	7	454	2,964
Receivables, net	8	44,413	41,538
Income tax receivable		571	-
Materials and supplies, net		5,291	5,134
Fossil fuel stocks		407	564
Emission rights	9	2,013	1,874
Other financial assets, net	10	43,013	32,489
Other current assets	11	1,050	1,146
Assets classified as held for sale		736	-
Total current assets		97,948	85,709
TOTAL ASSETS		536,934	518,380

EQUITY AND LIABILITIES	Note	2016	2015
Equity:			
Stated capital		53,799	53,799
Treasury shares		(4,246)	(4,246)
Retained earnings and other reserves		151,145	171,016
Total equity	12	200,698	220,569
Non-current liabilities:			
Long-term debt, net of current portion	13	131,960	124,922
Provisions	16	55,006	49,716
Deferred tax liability	28	9,003	11,143
Other long-term liabilities	17	7,019	3,886
Total non-current liabilities		202,988	189,667
Current liabilities:			
Short-term loans	18	7,874	10
Current portion of long-term debt	13	3,484	10,628
Trade and other payables	19	110,410	87,114
Income tax payable		1	165
Provisions	16	3,904	4,195
Accrued liabilities	20	7,575	6,032
Total current liabilities		133,248	108,144
TOTAL EQUITY AND LIABILITIES		536,934	518,380

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

ČEZ, a. s. – Statement of Income in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	2016	2015
Sales of electricity		72,462	72,635
Sales of gas, heat and other revenues		8,126	9,088
Other operating income		1,205	1,597
Total revenues and other operating income	21	81,793	83,320
Gains and losses from commodity derivative trading, net	22	(238)	(504)
Fuel		(10,775)	(10,599)
Purchased power and related services		(36,248)	(31,314)
Repairs and maintenance		(2,980)	(2,433)
Depreciation and amortization	3, 6	(15,253)	(14,708)
Impairment of property, plant and equipment and intangible assets		(104)	(788)
Salaries and wages	23	(5,603)	(5,191)
Materials and supplies		(1,419)	(1,354)
Emission rights, net	9	(837)	(964)
Other operating expenses	24	(6,881)	(7,054)
Income before other income (expenses) and income taxes		1,455	8,411
Interest on debt, net of capitalized interest	2.6	(2,530)	(2,857)
Interest on provisions	16	(1,274)	(1,452)
Interest income	25	917	1,086
Foreign exchange rate gains (losses), net		(443)	(474)
Gain on sale of subsidiaries, associates and joint-ventures		428	-
Other financial expenses	26	(14,723)	(5,438)
Other financial income	27	24,632	29,908
Total other income (expenses)		7,007	20,773
Income before income taxes		8,462	29,184
Income taxes	28	372	(1,069)
Net income		8,834	28,115
Net income per share (CZK per share)	31		
Basic		16.5	52.6
Diluted		16.5	52.6

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

ČEZ, a. s. – Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Note	2016	2015
Net income		8,834	28,115
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		(7,438)	11,922
Cash flow hedges reclassified to income statement		(1,632)	(1,954)
Cash flow hedges reclassified to assets		(85)	(230)
Change in fair value of available-for-sale financial assets recognized in equity		9	(429)
Deferred tax related to other comprehensive income	28	1,738	(1,769)
Other comprehensive income, net of tax		(7,408)	7,540
Total comprehensive income		1,426	35,655

ČEZ, a. s. – Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2016

in CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
December 31, 2014	53,799	(4,382)	(8,008)	1,304	163,419	206,132
Net income	-	-	-	-	28,115	28,115
Other comprehensive income	-	-	7,887	(347)	-	7,540
Total comprehensive income	-	-	7,887	(347)	28,115	35,655
Dividends	-	-	-	-	(21,317)	(21,317)
Sale of treasury shares	-	136	-	-	(68)	68
Share options	-	-	-	31	-	31
Transfer of exercised and forfeited share options within equity	-	-	-	(63)	63	-
December 31, 2015	53,799	(4,246)	(121)	925	170,212	220,569
Net income	-	-	-	-	8,834	8,834
Other comprehensive income	-	-	(7,415)	7	-	(7,408)
Total comprehensive income	-	-	(7,415)	7	8,834	1,426
Dividends	-	-	-	-	(21,319)	(21,319)
Share options	-	-	-	22	-	22
Transfer of forfeited share options within equity	-	-	-	(28)	28	-
December 31, 2016	53,799	(4,246)	(7,536)	926	157,755	200,698

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

ČEZ, a. s. – Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2016

In CZK Millions

	2016	2015
OPERATING ACTIVITIES:		
Income before income taxes	8,462	29,184
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	15,253	14,708
Amortization of nuclear fuel	3,120	3,392
Gain on non-current asset retirements, net	(518)	(298)
Foreign exchange rate losses (gains), net	443	474
Interest expense, interest income and dividend income, net	(13,557)	(23,328)
Provisions	(736)	(2,711)
Impairment of property, plant and equipment and intangible assets	104	788
Other impairment and other adjustments	4,813	5,097
Changes in assets and liabilities:		
Receivables	(9,364)	5,168
Materials, supplies and fossil fuel stocks	(64)	364
Receivables and payables from derivatives	2,275	5,675
Other current assets	6,108	5,863
Trade and other payables	2,766	(1,867)
Accrued liabilities	1,742	(3,104)
Cash generated from operations	20,847	39,405
Income taxes received (paid)	(764)	251
Interest paid, net of capitalized interest	(2,501)	(2,888)
Interest received	914	1,068
Dividends received	18,624	21,600
Net cash provided by operating activities	37,120	59,436
INVESTING ACTIVITIES:		
Acquisition of subsidiaries, associates and joint-ventures and refunds	(2,628)	49
Proceeds from disposal of subsidiaries, associates and joint-ventures including liquidation distribution received	9,934	318
Additions to non-current assets, including capitalized interest	(20,121)	(17,287)
Proceeds from sale of non-current assets	741	70
Loans made	(9,645)	(8,123)
Repayment of loans	1,487	6,838
Change in restricted financial assets	(570)	(583)
Total cash used in investing activities	(20,802)	(18,718)
FINANCING ACTIVITIES:		
Proceeds from borrowings	92,113	60,734
Payments of borrowings	(89,851)	(90,833)
Proceeds from other long-term liabilities	-	179
Decreases of other long-term liabilities	(679)	-
Change in payables/receivables from group cashpooling	877	4,091
Dividends paid	(21,325)	(21,309)
Sale of treasury shares	-	68
Net cash used in financing activities	(18,865)	(47,070)
Net effect of currency translation in cash	37	(195)
Net decrease in cash and cash equivalents	(2,510)	(6,547)
Cash and cash equivalents at beginning of period	2,964	9,511
Cash and cash equivalents at end of period	454	2,964
Supplementary cash flow information		
Total cash paid for interest	5,554	6,791

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

ČEZ, a. s.

Notes to the Financial Statements as of December 31, 2016

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1. Description of the Company

ČEZ, a. s. (ČEZ or the Company), business registration number 45274649, is a joint-stock company incorporated on May 6, 1992 under the laws of the Czech Republic in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The Company's registered office is located at Duhová 2/1444, Prague 4, Czech Republic.

The Company is involved primarily in the production, trading and sale of electricity and the related support services and in the production, distribution and sale of heat and sale of gas.

The average number of employees was 4,963 and 5,156 in 2016 and 2015, respectively.

The Czech Republic represented by the Ministry of Finance is a majority shareholder holding 69.8% of the Company's share capital at December 31, 2016. The majority shareholder's share of the voting rights represented 70.3% at the same date.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional and presentation currency has been determined to be Czech crowns (CZK).

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period.

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2016

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Company has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2016:

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint-venture to its interests in subsidiaries. These amendments did not have impact to the Company'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. These amendments did not have significant impact to the Company's financial statements.

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 Company, but assist in applying judgment when meeting the presentation and disclosure requirements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have any impact to the Company given that has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of IAS 41. Instead, IAS 16 applies. After initial recognition, bearer plants are measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants remains in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance applies. These amendments did not have any impact to the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments 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 have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they are required to apply this method from the date of transition to IFRS. These amendments did not have any impact on the Company's financial statements.

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

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

These changes did not have significant impact on the Company's financial statements.

2.2.2. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by the EU

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2017 or later. Standards and interpretations most relevant to the Company's activities are detailed below:

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not applied, be subsequently measured at amortized cost if the following both conditions are met:

- the asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortized cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognize either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognized.

Hedge accounting

New chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016 but was not endorsed by EU yet. This new standard will not have significant impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

The IASB issued in January 2016 new standard, IFRS 16 Leases, which replaces existing IFRS leases requirements and requires lessees to recognize most leases on their balance sheets while lessor accounting is substantially unchanged. The Company is currently assessing the impact of this new standard on its financial statements.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The standard has not yet been endorsed by EU. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint-venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint-venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint-venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have significant impact to the Company's financial statements.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The standard has not yet been endorsed by EU. Application of amendments will result in additional disclosure provided by the Company.

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. The standard has not yet been endorsed by EU. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have material impact on the Company's financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The standard has not yet been endorsed by EU. The Company is assessing the potential effect of the amendments on its financial statements.

The Company does not expect early adoption of any of the above mentioned standards, improvements or amendments.

2.3. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

Significant estimates are made by the Company while determining recoverable amounts for property, plant and equipment and financial assets (see Notes 3 and 5), accounting for the nuclear provisions (see Notes 2.21 and 16.1), provisions for waste storage reclamation (see Note 16.2), fair value of commodity contracts (see Notes 2.18 and 14) and financial derivatives (see Notes 2.17 and 14).

2.4. Revenues and Other Income

The Company recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services provided is recognized when the services are rendered.

Dividends earned on investments are recognized when the right of payment has been established.

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel (see Note 2.8).

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 2,955 million and CZK 3,573 million and the interest capitalization rate was 4.1% and 4.3% in 2016 and 2015, respectively.

2.7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from the balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets.

At each reporting date, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets.

The Company depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	8–25
Furniture and fixtures	4–15

Average depreciable lives based on the functional use of property, plant and equipment are as follows:

	Average life (years)
Hydro plants	
Buildings and structures	45
Machinery and equipment	12
Fossil fuel plants	
Buildings and structures	39
Machinery and equipment	12
Nuclear power plant	
Buildings and structures	38
Machinery and equipment	13

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 15,006 million and CZK 14,453 million for the years ended December 31, 2016 and 2015, which was equivalent to a composite depreciation rate of 4.1% and 4.2%, respectively.

2.8. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization and presented as part of property plant and equipment. Amortization of fuel in the reactor is based on the amount of power generated. Amortization of nuclear fuel charged to fuel expense was CZK 3,120 million and CZK 3,392 million for the years ended December 31, 2016 and 2015, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 219 million and CZK 328 million in 2016 and 2015, respectively. The balance of nuclear fuel includes the capitalized portion of the provision for interim storage of nuclear fuel.

2.9. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 16 years. The intangible assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. Improvements are capitalized.

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 277 million in 2016 and CZK 228 million in 2015.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets.

2.10. Emission Rights

Emission right represents the right of the operator of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans the Company have been granted emission rights. The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April 30 of the following year, at the latest, the Company is required to remit a number of allowances representing the number of tones of CO₂ actually emitted in previous year.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost (except for emission rights for trading). The Company recognizes a provision to cover emissions made which is measured firstly at the cost of emission rights resulting from hedging strategy, and purchased emission rights and credits up to the level of granted and purchased emission rights and credits held and then at the market price ruling at the balance sheet date.

The Company also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Company assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

2.11. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments and loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if the Company intends to realize them within 12 months of the balance sheet date or if there is no reasonable certainty that the Company will hold the available-for-sale investments for more than 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

The carrying amounts of available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Changes in the fair values of trading investments are included in Other financial expenses or Other financial income.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Investments in subsidiaries, associates and joint-ventures are carried at cost. Impaired investments are provided for or written off.

Mergers with entities under common control are recorded using a method similar to pooling of interests. Assets and liabilities of the merged entities are included in separate financial statements of the Company at their book values. The difference between the cost of investment in subsidiaries and net assets merged from entities under common control is recorded directly in equity.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of 6 months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown as restricted funds (see Note 4), relate to deposits for funding of nuclear decommissioning liabilities under a Nuclear act, waste storage reclamation under a Waste act and cash guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company.

2.14. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An impairment analysis of receivables is performed by the Company at each reporting date on an individual basis for significant specific receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively where the individual approach is not applicable. The calculation is based on actual incurred historical data of these groups.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Materials and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenses which have been incurred in respect of the acquisition of materials and supplies including transportation costs. When consumed, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision charged to the income statement. At December 31, 2016 and 2015 the provision for obsolescence amounted to CZK 12 million and CZK 28 million, respectively.

2.16. Fossil Fuel Stocks

Fossil fuel stocks are stated at actual cost using weighted average cost method.

2.17. Derivative Financial Instruments

The Company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the balance sheet such derivatives are presented as part of Investments and other financial assets, net, Other financial assets, net, Other long-term liabilities and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge:

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

Cash flow hedge:

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other financial expenses or Other financial income.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Other derivatives:

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.18. Commodity Contracts

According to IAS 39, certain commodity contracts are treated as financial instruments and fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

Forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Company's operating requirements;
- the contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Company thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement. The Company presents revenues and expenses related to commodity trading net in the line Gains and losses from commodity derivative trading, net.

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation). Income tax due is provided at a rate of 19% for the years ended December 31, 2016 and 2015, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2017 and on is 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.20. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other financial expenses or Other financial income. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.21. Nuclear Provisions

The Company has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent nuclear fuel and irradiated parts of reactors (see Note 16.1).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at December 31, 2016 and 2015 using a long-term real rate of interest of 1.5% per annum, to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the period when the nuclear power plants generate electricity. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2016 and 2015 the estimate for the effect of inflation is 1%.

The decommissioning process is expected to continue for approximately a fifty-year period subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2084. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and interim and permanent fuel storage activities, the ultimate provision requirements could vary significantly from the Company's current estimates.

Changes in a decommissioning liability and in liability for permanent storage of spent nuclear fuel that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.22. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction in equity. No gain or loss is recognized in the income statement on the sale, issuance or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.23. Share Options

Members of Board of Directors and selected managers have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options which will ultimately vest. In 2016 and 2015 the expense recognized in respect of the share option plan amounted to CZK 22 million and CZK 31 million, respectively.

2.24. Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns using the exchange rate prevailing at the date of the transaction, as published by the Czech National Bank. In the accompanying financial statements, monetary assets and liabilities are translated at the rate of exchange ruling at December 31. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

Exchange rates used as at December 31, 2016 and 2015 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2016	2015
CZK per 1 EUR	27.020	27.025
CZK per 1 USD	25.639	24.824
CZK per 1 PLN	6.126	6.340
CZK per 1 BGN	13.815	13.819
CZK per 1 RON	5.953	5.976
CZK per 100 JPY	21.907	20.619
CZK per 1 TRY	7.286	8.509

2.25. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

Net plant in service at December 31, 2016 and 2015 was as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Total
Cost at January 1, 2015	89,496	253,251	1,499	344,246
Additions	2,167	4,869	26	7,062
Disposals	(78)	(360)	(4)	(442)
Change in capitalized part of the provision	40	2,808	-	2,848
Non-monetary contribution	(1,866)	(5,545)	(95)	(7,506)
Reclassification and other	(28)	23	-	(5)
Cost at December 31, 2015	89,731	255,046	1,426	346,203
Additions	9,742	34,185	32	43,959
Disposals	(58)	(424)	(18)	(500)
Change in capitalized part of the provision	(117)	5,611	-	5,494
Non-monetary contribution	(108)	(522)	(264)	(894)
Reclassification and other	(2)	2	-	-
Cost at December 31, 2016	99,188	293,898	1,176	394,262
Accumulated depreciation and impairment at January 1, 2015	(42,844)	(153,489)	-	(196,333)
Depreciation	(2,360)	(12,093)	-	(14,453)
Net book value of assets disposed	(19)	(42)	-	(61)
Disposals	78	360	-	438
Non-monetary contribution	1,347	5,058	-	6,405
Reclassification and other	(18)	21	-	3
Impairment losses recognized	(130)	(65)	(3)	(198)
Impairment losses reversed	12	-	-	12
Accumulated depreciation and impairment at December 31, 2015	(43,934)	(160,250)	(3)	(204,187)
Depreciation	(2,438)	(12,568)	-	(15,006)
Net book value of assets disposed	(6)	-	-	(6)
Disposals	58	424	3	485
Non-monetary contribution	79	522	-	601
Reclassification and other	10	(10)	-	-
Impairment losses recognized	(1)	-	-	(1)
Accumulated depreciation and impairment at December 31, 2016	(46,232)	(171,882)	-	(218,114)
Net plant in service at December 31, 2015	45,797	94,796	1,423	142,016
Net plant in service at December 31, 2016	52,956	122,016	1,176	176,148

At December 31, 2016 construction work in progress contains mainly refurbishments performed on Ledvice, Prunéřov, Temelin and Dukovany power plants. In 2016 the Company recognized impairment of construction work in progress in the amount of CZK 102 million. At December 31, 2016 the impairment of construction work in progress amounted of CZK 856 million.

Company's production assets are tested for any possible impairment as a single cash-generating unit with the exception of specific assets, e.g. the gas fired power plant in Počerady. Company's cash-generating unit of production assets is characterized by portfolio management in the deployment and maintenance of various production resources and the cash flows generated from these activities.

As part of testing the recoverable value of fixed assets of the cash generating unit of ČEZ, a. s. (hereinafter the "ČEZ Value"), we performed a sensitivity analysis of the test results to changes in certain key parameters of the used model – changes in wholesale electricity prices (hereinafter the "EE prices"), changes in the discount rate used in the calculation of the present value of future cash flows and changes in CZK/EUR exchange rate.

The development of commodity prices and, in particular, the development of wholesale electricity prices in Germany (as German electricity prices have a major impact on the development of wholesale electricity prices in the Czech Republic) are the key assumptions used for the ČEZ Value model. The developments of wholesale prices are primarily determined by the EU political decisions, the development of global demand and supply of commodities and the technological progress.

The impact of EE price changes on the results of the ČEZ Value test is further influenced by a number of external factors, including, in particular, changes in the structure and availability of production resources in the Czech Republic and neighboring countries, the macroeconomic development of the Central European region and the regulation of the energy sector in the EU and Germany, including the future Market design and fundamental impact of nuclear sources attenuation in 2020–2021, the impact of the EU approved 2030 climate and energy targets and the impact of the Czech Republic State Energy Concept. The model was constructed for a period adequate to the useful life of the production resources, i.e. for a period that significantly exceeds the period for which commodities, including wholesale electricity price contracts, are traded on public liquid markets. In addition, the electricity market is subject to structural changes and major industry regulation; consequently, complete abandonment of market-based pricing mechanisms and implementation of alternative, centrally regulated payments for the availability and supply of production resources within the period of useful life of the production resources is actually possible.

With respect to the fact that we are using a long-term model, there are certain internal factors and assumptions that affect the ČEZ Value sensitivity to the development of electricity prices, such as varying deployment of the production portfolio depending on the development of electricity market prices, emission allowances and variable production costs and, in a longer perspective, also the development of fixed costs reflecting the development of the production resources gross margin.

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the production portfolio as at December 31, 2016. The borderline values of the interval of all three main tested factors represent test results arising from the use of two price scenarios.

The basic scenario considers long-term EE prices at the level used to prepare Company's business plan for 2017–2021. The plan was prepared in the fourth quarter 2016 whereas the plan was based on the active market parameters observed in August and September (electricity prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of CO₂ emission rights, FX rate CZK/EUR, interest rates etc.). There is a liquidity for electricity contracts traded on EEX for the period covering the horizon of the business plan and with regard to links between German and Czech electricity transmission network, the EEX prices are basic market price indicator for EE prices in the Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of the Company. The second basic price scenario assumes EE prices lower by about 30% compared to the basic scenario and also contains decrease of relevant expenses.

A change of the assumed EE prices as per the models by 1%, with other parameters remaining unchanged, would have an impact of approximately CZK 3.1–4.0 billion on the ČEZ Value test results. Future cash flows of the model were discounted using a 3.9% rate. A change of 0.1 percentage point in the discount rate, with other parameters remaining unchanged, would change the ČEZ Value by CZK 3.4–4.5 billion. A change of 1% in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 3.1–4.2 billion in the ČEZ Value.

Movements in nuclear fuel in 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Opening balance as of January 1	12,832	10,898
Additions	4,768	4,934
Amortization	(2,901)	(3,064)
Change in capitalized part of the provision	46	64
Closing balance as of December 31	14,745	12,832

4. Restricted Financial Assets

Restricted financial assets at December 31, 2016, and 2015 consist of the following (in CZK millions):

	2016	2015
Restricted debt securities available-for-sale	10,890	10,098
Restricted cash	2,400	2,564
Total restricted financial assets	13,290	12,662

At December 31, 2016 and 2015 the most important restricted financial assets are restricted funds related to accumulated provision for nuclear decommissioning totaled CZK 12,988 million and CZK 12,356 million, respectively, and restricted funds related to accumulated provision for waste storage and reclamation totaled CZK 243 million and CZK 247 million, respectively.

5. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Equity securities and interests, net	166,744	160,371
Debt securities available-for-sale	4,151	675
Loans granted, net	7,767	9,402
Derivatives	4,154	7,006
Long-term receivable from settlement with Albania	557	1,111
Other long-term receivables	12	15
Term deposits	500	-
Financial assets in progress	-	112
Total investments and other financial assets	183,885	178,692

Movements in impairment provisions against equity securities and interest and provisions against loans (in CZK millions):

	2016		2015	
	Equity securities and interests	Loans	Equity securities and interests	Loans
Opening balance	25,238	433	23,681	150
Additions	5,635	-	1,642	283
Derecognition of impaired financial assets	(10)	-	(85)	-
Transfer to assets classified as held for sale	(559)	-	-	-
Reclassification	5,345	(433)	-	-
Closing balance	35,649	-	25,238	433

In 2016 the Company created an impairment provisions against the investments in CEZ Bulgarian Investments B.V. in the amount of CZK 384 million and Akcez Enerji A.S. in the amount of CZK 2,728 million in connection with reduction of recoverable amount. In addition the impairment provisions against the investment in CEZ Distributie S.A. was increased by CZK 469 million, CEZ Razpredelenie Bulgaria AD by CZK 169 million, ŠKODA PRAHA Invest s.r.o. by CZK 199 million, TEC Varna EAD by CZK 425 million and in the companies, that own the Romanian wind parks (Tomis Team S.A. and Ovidiu Development S.R.L.) by CZK 1,196 million due to the reduction of recoverable amount.

In 2016 the Company created an impairment provision against the investment in CEZ Finance Ireland Ltd. in connection with the payment of liquidation proceeds in the amount of CZK 10 million. In the same year the Company derecognized this impairment provision due to liquidation of company.

In connection with the sale of Elektrárna Tisová the impairment provision was increased by CZK 55 million and the financial asset was reclassified to asset held for sale.

In 2016 the Company reclassified the impairment provisions against the loans granted to Tomis Team, Ovidiu Development and M.W. Team Invest in the amount of CZK 5,345 million to impairment provisions against the investments due to the capitalization of loans into stated capital of Tomis Team a Ovidiu Development. The reclassified impairment provisions represent impairment provisions against short term loans (CZK 4,912 million, see Note 8) and impairment provisions against long term loans (CZK 433 millions).

In 2015 the Company created an impairment provisions against the investments in ŠKODA PRAHA Invest s.r.o. in the amount of CZK 532 million, Elektrárna Tisová, a.s. in the amount of CZK 504 million and Elektrárna Dětmárovice, a.s. in the amount of CZK 434 million in connection with reduction of recoverable amount. In addition the impairment provision against the investment in CEZ Razpredelenie Bulgaria AD was increased by CZK 172 million due to the reduction of recoverable amount.

In 2015 the Company derecognized impairment provision against the investment in CEZ Trade Albania Sh.P.K. in the amount of CZK 85 million due to liquidation of company.

In 2015 the Company also increased an impairment provision against the loans granted to M.W. Team Invest S.R.L. by CZK 283 million.

Loans granted and other long-term receivables, net at December 31, 2016, and 2015 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	2016		2015	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	1,364	565	1,148	566
Due in 2–3 years	1,090	1	1,179	557
Due in 3–4 years	1,337	2	1,123	2
Due in 4–5 years	1,075	1	1,726	1
Due in more than 5 years	2,901	–	4,226	–
Total	7,767	569	9,402	1,126

Loans granted and other long-term receivables, net at December 31, 2016 and 2015 have following effective interest rate structure (in CZK millions):

	2016		2015	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.00%	–	569	86	1,126
From 2.00% to 2.99%	4,379	–	6,128	–
From 3.00% to 3.99%	2,621	–	3,188	–
From 4.00% to 4.99%	223	–	–	–
Over 4.99%	544	–	–	–
Total	7,767	569	9,402	1,126

Loans granted and other long-term receivables, net at December 31, 2016 and 2015 according to currencies (in CZK millions):

	2016		2015	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
CZK	6,961	8	8,172	9
EUR	39	560	900	1,115
PLN	767	1	330	–
USD	–	–	–	2
Total	7,767	569	9,402	1,126

Changes of Equity Securities and Interests in 2016

The share capital of Energocentrum Vítkovice, a. s. was increased by non-monetary contribution of part of business.

Part of the assets of the company ČEZ Teplárenská, a.s. was spin off and transferred to successor companies ČEZ Energetické služby, s.r.o. and Elektrárna Tisová, a.s., which was reflected by reallocation of the cost of these investments.

The share capital of Ovidiu Development S.R.L. was increased by the capitalization of receivable. Due to the contribution to the share capital the share in the company increased to 99.98%.

The share capital of Tomis Team S.A. was increased by the capitalization of receivable and by cash contribution.

The share capital of ČEZ ESCO, a.s. was increased by the capitalization of receivable and non-monetary contribution of 100% share in Energocentrum Vítkovice, a. s.

The equities of CEZ Srbija d.o.o., ČEZ ESCO, a.s. and ŠKODA PRAHA Invest s.r.o. were increased by cash contribution outside the registered capital.

The share capital of Inven Capital, investiční fond, a.s. was increased by cash and non-monetary contribution.

The share capitals of Elektrárna Dukovany II, a. s. and Elektrárna Temelín II, a. s. were increased by cash contribution and non-monetary contribution of part of business.

As at November 30, 2016 the Company disposed of its interest in CM European Power Slovakia s.r.o.

CEZ Silesia B.V. was deleted from the Commercial Register due to the merger with CEZ Poland Distribution B.V.

The subsidiary CEZ Finance Ireland Ltd. was liquidated on December 30, 2016.

Changes of Equity Securities and Interests in 2015

Three subsidiaries Energocentrum Vítkovice, a. s. (100%), Elektrárna Dukovany II, a. s. (100%) and Elektrárna Temelín II, a. s. (100%) were established.

Part of the assets of the company ČEZ Obnovitelné zdroje, s.r.o. was spin off and transferred to successor companies ČEZ Korporátní služby, s.r.o. and ČEZ OZ uzavřený investiční fond a.s.

The share capital of ČEZ ESCO, a.s. was increased by cash and non-monetary contributions of 100% share in ČEZ Energetické služby, s.r.o. and non-controlling share in ČEZ Energo, s.r.o.

The equity of ČEZ Nová energetika, a.s. was increased by cash contribution. Due to the subsequent sale of 4 shares to ČEZ Teplárenská, a.s. the share in the company decreased to 93.65%.

The share capital of Elektrárna Tisová, a.s. was increased by non-monetary contribution of part of business.

The equity of ŠKODA PRAHA Invest s.r.o. was increased by cash contribution outside the registered capital.

The valuation of TEC Varna EAD was decreased due to the payment of share premium. The valuation of Veolia Energie ČR, a.s. was decreased due to purchase price reduction under the terms agreed in the contract.

Two subsidiaries CEZ Bosna i Hercegovina d.o.o. and CEZ Trade Albania Sh.P.K. were deleted from the Commercial Register.

The following table summarizes investments in subsidiaries, associates and joint-ventures and other ownership interests:

As at December 31, 2016:

Company	Country	Interest, net in CZK millions	% interest ⁽⁵⁾	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	31,415	100.00	4,629
Energotrans, a.s.	Czech Republic	17,986	100.00	1,054
Severočeské doly a.s.	Czech Republic	14,312	100.00	1,707
CEZ Distributie S.A. ¹⁾	Romania	13,020	100.00	120
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	12,878	99.60	1,199
CEZ Poland Distribution B.V. ²⁾	Netherlands	9,255	100.00	-
Akenerji Elektrik Üretim A.S.	Turkey	9,043	37.36	-
Tomis Team S.A.	Romania	7,388	100.00	-
Ovidiu Development S.R.L.	Romania	7,298	99.98	-
CEZ Razpredelenie Bulgaria AD	Bulgaria	6,529	67.00	-
ČEZ Teplárenská, a.s.	Czech Republic	4,626	100.00	200
ČEZ ICT Services, a. s.	Czech Republic	4,236	100.00	300
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	-
ČEZ Korporátní služby, s.r.o.	Czech Republic	3,494	100.00	472
Veolia Energie ČR, a.s.	Czech Republic	2,732	15.00	198
ČEZ ESCO, a.s.	Czech Republic	2,246	100.00	-
Elektrárna Temelín II, a. s.	Czech Republic	2,042	100.00	-
Inven Capital, investiční fond, a.s. ³⁾	Czech Republic	2,004	99.80	-
Elektrárna Dětmarovice, a.s.	Czech Republic	1,762	100.00	185
Elektrárna Počeradry, a.s.	Czech Republic	1,280	100.00	-
ČEZ Distribuční služby, s.r.o.	Czech Republic	1,145	100.00	240
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	4,600
Elektrárna Dukovany II, a. s.	Czech Republic	1,048	100.00	-
ŠKODA PRAHA a.s.	Czech Republic	996	100.00	-
CM European Power International B.V.	Netherlands	948	50.00	-
CEZ Vanzare S.A.	Romania	817	100.00	-
CEZ Bulgarian Investments B.V.	Netherlands	589	100.00	-
CEZ Slovensko, s.r.o.	Slovakia	557	100.00	-
Energetické centrum s.r.o.	Czech Republic	515	100.00	-
TEC Varna EAD	Bulgaria	426	100.00	-
Akcez Enerji A.S.	Turkey	306	50.00	-
ÚJV Řež, a. s.	Czech Republic	185	52.46	-
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	14
CEZ Romania S.A.	Romania	92	100.00	-
ŠKODA PRAHA Invest s.r.o.	Czech Republic	81	100.00	-
ČEZ Inženýring, s.r.o.	Czech Republic	80	100.00	-
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	73	100.00	-
CEZ Hungary Ltd.	Hungary	73	100.00	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	39.25	-
CEZ Polska sp. z o.o.	Poland	50	0.67	-
CEZ Trade Polska sp. z o.o.	Poland	45	100.00	-
CITELUM, a.s.	Czech Republic	43	48.00	-
CEZ Srbija d.o.o.	Serbia	36	100.00	-
Other		177		252
Total, net		166,744		15,170

As at December 31, 2015:

Company	Country	Interest, net in CZK millions	% interest ⁵⁾	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	31,415	100.00	4,942
Energotrans, a.s.	Czech Republic	17,986	100.00	881
Severočeské doly a.s.	Czech Republic	14,312	100.00	1,707
CEZ Distributie S.A. ¹⁾	Romania	13,489	100.00	3,714
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	12,878	99.60	1,587
Akenerji Elektrik Üretim A.S.	Turkey	9,043	37.36	–
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	6,698	67.00	–
CEZ Poland Distribution B.V. ²⁾	Netherlands	4,887	100.00	–
ČEZ Teplárenská, a.s.	Czech Republic	4,678	100.00	240
CEZ Silesia B.V. ²⁾	Netherlands	4,368	100.00	4,621
ČEZ ICT Services, a. s.	Czech Republic	4,236	100.00	550
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	–
ČEZ Korporátní služby, s.r.o.	Czech Republic	3,494	100.00	369
Akcez Enerji A.S.	Turkey	3,034	50.00	–
Veolia Energie ČR, a.s.	Czech Republic	2,732	15.00	307
Elektrárna Dětmarovice, a.s.	Czech Republic	1,762	100.00	650
ČEZ ESCO, a.s.	Czech Republic	1,304	100.00	–
Elektrárna Počerady, a.s.	Czech Republic	1,280	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	1,145	100.00	927
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	3,801
ŠKODA PRAHA a.s.	Czech Republic	996	100.00	–
CEZ Bulgarian Investments B.V.	Netherlands	973	100.00	–
CM European Power International B.V.	Netherlands	948	50.00	–
TEC Varna EAD	Bulgaria	851	100.00	–
CEZ Vanzare S.A.	Romania	817	100.00	468
Elektrárna Tisová, a.s. ⁴⁾	Czech Republic	740	100.00	–
CEZ Slovensko, s.r.o.	Slovakia	557	100.00	–
Energetické centrum s.r.o.	Czech Republic	515	100.00	–
CM European Power Slovakia s.r.o.	Slovakia	295	24.50	108
ÚJV Řež, a. s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	20
CEZ Romania S.A.	Romania	92	100.00	–
ČEZ Inženýring, s.r.o.	Czech Republic	80	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	73	100.00	–
CEZ Hungary Ltd.	Hungary	73	100.00	–
ČEZ Nová energetika, a.s. ³⁾	Czech Republic	59	93.65	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	39.25	–
Elektrárna Dukovany II, a. s.	Czech Republic	50	100.00	–
Elektrárna Temelín II, a. s.	Czech Republic	50	100.00	–
CEZ Polska sp. z o.o.	Poland	50	0.67	–
CEZ Trade Polska sp. z o.o.	Poland	45	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	–
Other		197		207
Total, net		160,371		25,099

¹⁾ The company name CEZ Distributie S.A. was changed to Distributie Energie Oltenia S.A. in January 2017.

²⁾ In 2016 CEZ Silesia B.V. merged with the succession company CEZ Poland Distribution B.V. with the legal effective date of August 18, 2016.

³⁾ In 2016 the company ČEZ Nová energetika, a.s. was renamed into Inven Capital, investiční fond, a.s.

⁴⁾ The share in Elektrárna Tisová, a.s. was in 2016 reclassified to assets classified as held for sale. On January 2, 2017 the Company disposed of its 100% interest in company Elektrárna Tisová, a.s. (Note 33).

⁵⁾ Equity interest is equal to voting rights.

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2016 and 2015 were as follows (in CZK millions):

	Software	Rights and Other	Total 2016	Total 2015
Cost at January 1	1,715	1,240	2,955	2,759
Additions	78	12	90	254
Disposals	(6)	(9)	(15)	(56)
Non-monetary contribution	(14)	-	(14)	(7)
Reclassification and other	-	-	-	5
Cost at December 31	1,773	1,243	3,016	2,955
Accumulated amortization at January 1	(1,375)	(1,083)	(2,458)	(2,264)
Amortization	(200)	(46)	(246)	(255)
Disposals	6	9	15	56
Non-monetary contribution	14	-	14	7
Reclassification and other	-	-	-	(2)
Accumulated amortization at December 31	(1,555)	(1,120)	(2,675)	(2,458)
Net intangible assets at December 31	218	123	341	497

At December 31, 2016 and 2015, intangible assets presented in the balance sheet included intangible assets in progress of CZK 240 million and CZK 63 million, respectively.

7. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Cash on hand and current accounts with banks	454	1,965
Short-term securities	-	999
Total	454	2,964

At December 31, 2016 and 2015, cash and cash equivalents included foreign currency deposits of CZK 334 million and CZK 79 million, respectively.

The weighted average interest rate on short-term securities at December 31, 2015 was 0.4%. For the years 2016 and 2015 the weighted average interest rate was 0.2% and 0.4%, respectively.

8. Receivables, Net

The composition of receivables, net, at December 31, 2016 and 2015 is as follows (in CZK millions):

	2016	2015
Trade receivables	35,597	31,112
Short-term loans granted	2,133	10,104
Taxes and fees excl. income tax	1,137	631
Other receivables	8,209	6,873
Allowance for doubtful receivables	(2,663)	(7,182)
Total	44,413	41,538

The information about receivables from related parties is included in Note 29.

At December 31, 2016 and 2015 the ageing analysis of receivables, net is as follows (in CZK millions):

	2016	2015
Not past due	44,281	41,443
Past due but not impaired ¹⁾ :		
less than 3 months	121	92
3–6 months	1	2
6–12 months	10	1
Total	44,413	41,538

¹⁾ Past due, but not impaired receivables include net receivables, for which the Company recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions):

	2016	2015
Opening balance	7,182	4,361
Additions	401	2,875
Reversals	(8)	(52)
Non-monetary contribution	–	(1)
Reclassification	(4,912)	–
Currency translation difference	–	(1)
Closing balance	2,663	7,182

As of December 31, 2015 allowances include the allowance of CZK 4,912 million for loans granted to Tomis Team S.A., Ovidiu Development S.R.L. and M.W. Team Invest S.R.L. In 2016 the allowance for loans was reclassified to impairment provisions against equity securities (see Note 5).

9. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Company during 2016 and 2015 (in CZK millions):

	2016		2015	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	19,547	1,252	23,527	3,524
Emission rights granted	6,632	–	8,510	–
Non-monetary contribution to subsidiaries	(156)	–	(1,157)	–
Settlement of prior year actual emissions with register	(15,244)	(1,255)	(16,467)	(3,541)
Emission rights purchased	8,769	1,191	7,031	1,269
Emission rights sold	(2,935)	–	(1,936)	–
Emission credits purchased	30	–	39	–
Granted and purchased emission rights and credits at December 31	16,643	1,188	19,547	1,252
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	2,792	622	3,220	651
Emission rights purchased	22,555	3,371	14,354	3,058
Emission rights sold	(20,697)	(3,052)	(14,792)	(3,183)
Emission credits purchased	–	–	419	3
Emission credits sold	–	–	(409)	(3)
Fair value adjustment	–	(116)	–	96
Emission rights and credits held for trading at December 31	4,650	825	2,792	622

In 2016 and 2015, total emissions of greenhouse gases made by the Company amounted to an equivalent of 16,228 thousand tons and 15,244 thousand tons of CO₂, respectively. At December 31, 2016 and 2015 the Company recognized a provision for CO₂ emissions in total amount of CZK 1,117 million and CZK 1,252 million, respectively (see Notes 2.10 and 16).

The following table shows the impact of transactions with emission rights and credits on income for the year ended December 31, 2016 and 2015 (in CZK millions):

	2016	2015
Gain on sales of granted emission rights	394	384
Net gain (loss) from trading with emission rights and credits	150	(192)
Net gain (loss) from derivatives	(145)	17
Remitted emission rights and credits	(1,255)	(3,541)
Fair value adjustment	(116)	96
Creation of provision for CO ₂ emissions	(1,117)	(1,252)
Settlement of provision for CO ₂ emissions	1,252	3,524
Net loss from emission rights and credits	(837)	(964)

10. Other Financial Assets, Net

Other financial assets, net, at December 31, 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Derivatives	38,022	20,907
Equity securities available-for-sale	-	946
Debt securities available-for-sale	6	-
Term deposits	2,040	6,783
Debt securities held-to-maturity	2,945	3,853
Total	43,013	32,489

Derivatives balance comprises mainly positive fair value of commodity trading contracts.

Equity securities available-for-sale balance includes investments in money market fund.

Debt securities held-to-maturity are denominated in CZK and at December 31, 2016 and 2015 bear an interest of 0.4% and 0.3%, respectively.

The Company concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option can be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement can be inactivated until December 31, 2019. The contracts represent derivatives that will be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s. is not quoted on any market. There is significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction took place) and thus it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put option is measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

11. Other Current Assets

Other current assets at December 31, 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Prepayments	574	653
Advances granted	476	493
Total	1,050	1,146

12. Equity

As at December 31, 2016 and 2015, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

Movements of treasury shares in 2016 and 2015 (in pieces):

	2016	2015
Number of treasury shares at beginning of period	3,755,021	3,875,021
Sales of treasury shares	-	(120,000)
Number of treasury shares at end of period	3,755,021	3,755,021

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Declared dividends per share before tax were CZK 40 in 2016 and 2015. Dividends from 2016 profit will be declared at the general meeting which will be held in the first half of 2017.

Capital management

The primary objective of the Company's capital management is to keep its credit rating on the investment grade and on the level that is common in the industry and to maintain healthy capital ratios in order to support its business and maximize value for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company primarily monitors capital using the ratio of net debt to EBITDA. Considering the current structure and stability of cash flow and the development strategy, the goal of the Group is the level of this ratio in range 2.5 to 3.0. In addition, the Company also monitors capital using a total debt to total capital ratio. The Company's policy is to keep the total debt to total capital ratio below 50% in the long term.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill and less gain (or loss) on sale of property, plant and equipment. The Company includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term equity and debt securities available-for-sale, short-term debt securities held-to-maturity, long-term debt securities available-for-sale and both short-term and long-term deposits. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2016	2015
Total long-term debt	159,473	157,271
Total short-term loans	8,343	223
Total debt	167,816	157,494
Less:		
Cash and cash equivalents	(11,226)	(13,482)
Highly liquid financial assets:		
Short-term equity securities available-for-sale	-	(946)
Short-term debt securities available-for-sale	(7)	-
Short-term debt securities held-to-maturity	(2,945)	(3,852)
Short-term deposits	(2,040)	(7,315)
Long-term deposits	(500)	-
Long-term debt securities available-for-sale	(4,646)	(676)
Total net debt	146,452	131,223
Income before income taxes and other income (expenses)	26,114	28,961
Depreciation and amortization	28,978	28,619
Impairment of property, plant and equipment and intangible assets including goodwill	3,114	7,685
Gains and losses on sale of property, plant and equipment	(124)	(161)
EBITDA	58,082	65,104
Total equity attributable to equity holders of the parent	256,812	267,893
Total debt	167,816	157,494
Total capital	424,628	425,387
Net debt to EBITDA ratio	2.52	2.02
Total debt to total capital ratio	39.5%	37.0%

13. Long-term Debt

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

	2016	2015
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,621	2,466
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,748	1,645
5.000% Eurobonds, due 2021 (EUR 750 million)	20,211	20,203
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,348	1,347
4.875% Eurobonds, due 2025 (EUR 750 million)	20,193	20,188
4.500% Eurobonds, due 2020 (EUR 750 million)	20,165	20,140
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,519	2,372
4.600% Eurobonds, due in 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
4.375% Eurobonds, due 2042 (EUR 50 million)	1,326	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)	13,337	13,325
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,207	1,198
3M Euribor + 0.55% Eurobonds, due 2018 (EUR 200 million)	5,383	-
4.250% U.S. bonds, due 2022 (USD 289 million)	7,353	7,111
5.625% U.S. bonds, due 2042 (USD 300 million)	7,613	7,368
4.500% Registered bonds, due 2030 (EUR 40 million)	1,061	1,060
4.750% Registered bonds, due 2023 (EUR 40 million)	1,072	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
Total bonds and debentures	119,446	122,281
Less: Current portion	(1,207)	(9,176)
Bonds and debentures, net of current portion	118,239	113,105
Bank loans (less than 2% p.a.)	15,998	13,269
Less: Current portion	(2,277)	(1,452)
Bank loans, net of current portion	13,721	11,817
Total long-term debt	135,444	135,550
Less: Current portion	(3,484)	(10,628)
Total long-term debt, net of current portion	131,960	124,922

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.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.17.

Future maturities of long-term debt are as follows (in CZK millions):

	2016	2015
Current portion	3,484	10,628
Between 1 and 2 years	7,660	3,127
Between 2 and 3 years	3,625	1,929
Between 3 and 4 years	22,442	3,275
Between 4 and 5 years	26,284	22,069
Thereafter	71,949	94,522
Total long-term debt	135,444	135,550

The following table analyses long-term debt by currency (in millions):

	2016		2015	
	Foreign currency	CZK	Foreign currency	CZK
EUR	4,158	112,342	4,194	113,340
USD	584	14,966	583	14,479
JPY	31,443	6,888	31,440	6,483
CZK	–	1,248	–	1,248
Total long-term debt		135,444		135,550

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2016 and 2015 without considering interest rate hedging (in CZK millions):

	2016	2015
Floating rate long-term debt		
with interest rate fixed from 1 to 3 months	6,590	1,198
with interest rate fixed from 3 months to 1 year	17,346	14,615
Total floating rate long-term debt	23,936	15,813
Fixed rate long-term debt	111,508	119,737
Total long-term debt	135,444	135,550

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Notes 14 and 15.

14. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are determined based on quoted market prices. For unquoted equity instruments the Company considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost and the fair value information is not disclosed.

Short-term receivables and payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2016 and 2015 are as follows (in CZK millions):

Category	2016		2015		
	Carrying amount	Fair value	Carrying amount	Fair value	
ASSETS:					
Investments:					
Restricted debt securities available-for-sale	AFS	10,890	10,890	10,098	10,098
Restricted cash	LaR	2,400	2,400	2,564	2,564
Term deposits	LaR	500	500	-	-
Equity securities available-for-sale	AFS	2,732	2,732	2,732	2,732
Debt securities available-for-sale	AFS	4,151	4,151	675	675
Other long-term financial assets, net	LaR	8,336	8,336	10,640	10,640
Current assets:					
Receivables	LaR	43,276	43,276	40,907	40,907
Cash and cash equivalents	LaR	454	454	2,964	2,964
Debt securities held-to-maturity	HTM	2,945	2,945	3,853	3,853
Term deposits	LaR	2,040	2,040	6,783	6,783
Equity securities available-for-sale	AFS	-	-	946	946
Debt securities available-for-sale	AFS	6	6	-	-
Other current assets	LaR	476	476	493	493
LIABILITIES:					
Long-term debt including the current portion	AC	(135,444)	(156,096)	(135,550)	(153,841)
Short-term loans	AC	(7,874)	(7,874)	(10)	(10)
Current liabilities	AC	(72,918)	(72,918)	(70,401)	(70,401)
DERIVATIVES:					
Cash flow hedges:					
Short-term receivables	HFT	-	-	548	548
Long-term receivables	HFT	2,684	2,684	6,242	6,242
Short-term liabilities	HFT	-	-	(111)	(111)
Long-term liabilities	HFT	(4,740)	(4,740)	(626)	(626)
Total cash flow hedges		(2,056)	(2,056)	6,053	6,053
Commodity derivatives:					
Short-term receivables	HFT	37,622	37,622	19,504	19,504
Long-term receivables	HFT	530	530	-	-
Short-term liabilities	HFT	(37,246)	(37,246)	(16,056)	(16,056)
Total commodity derivatives		906	906	3,448	3,448
Other derivatives:					
Short-term receivables	HFT	400	400	855	855
Long-term receivables	HFT	940	940	764	764
Short-term liabilities	HFT	(246)	(246)	(741)	(741)
Long-term liabilities	HFT	(1,029)	(1,029)	(1,331)	(1,331)
Total other derivatives		65	65	(453)	(453)

LaR Loans and receivables
 AFS Available-for-sale investments
 HTM Held-to-maturity instruments
 HFT Held for trading or hedging instruments
 AC Financial liabilities at amortized cost

14.1. Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between the levels in 2016 and 2015.

As at December 31, 2016, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Commodity derivatives	38,152	567	37,585	-
Cash flow hedges	2,684	442	2,242	-
Other derivatives	1,340	122	1,218	-
Restricted debt securities available-for-sale	10,890	10,890	-	-
Debt securities available-for-sale	4,157	4,157	-	-

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(37,246)	(2,127)	(35,119)	-
Cash flow hedges	(4,740)	(983)	(3,757)	-
Other derivatives	(1,275)	-	(1,275)	-

Assets and liabilities for which fair value is disclosed

	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity	2,945	-	2,945	-
Term deposits	2,540	-	2,540	-
Long-term debt including the current portion	(156,096)	(105,963)	(50,133)	-

As at December 31, 2015, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Commodity derivatives	19,504	672	18,832	-
Cash flow hedges	6,790	2,259	4,531	-
Other derivatives	1,619	13	1,606	-
Restricted debt securities available-for-sale	10,098	10,098	-	-
Debt securities available-for-sale	675	675	-	-
Equity securities available-for-sale	946	946	-	-

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(16,056)	(1,808)	(14,248)	-
Cash flow hedges	(737)	(2)	(735)	-
Other derivatives	(2,072)	(488)	(1,584)	-

Assets and liabilities for which fair value is disclosed

	Total	Level 1	Level 2	Level 3
Short-term debt securities held-to-maturity	3,853	-	3,853	-
Term deposits	6,783	-	6,783	-
Long-term debt including the current portion	(153,841)	(113,530)	(40,311)	-

The Company enters into derivative financial instruments with various counterparties, principally large power and utility group and financial institutions with high credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and option pricing models (e.g. Black-Scholes). The models incorporate various inputs including the forward rate curves of the underlying commodity, foreign exchange spot and forward rates and interest rate curves.

14.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2016 and 2015 (in CZK millions):

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	42,175	(43,260)	27,913	(18,864)
Other financial instruments*	29,591	(25,909)	25,051	(26,682)
Collaterals paid (received)**	1,341	(1,222)	1,309	(536)
Gross financial assets / liabilities	73,107	(70,391)	54,273	(46,082)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	73,107	(70,391)	54,273	(46,082)
Effect of master netting agreements	(59,466)	59,466	(34,355)	34,355
Net amount after master netting agreements	13,641	(10,925)	19,918	(11,727)

* Other financial instruments consist of invoices due from derivative trading and are included in Receivables, net or Trade and other payables.

** Collaterals paid are included in Receivables, net and collaterals received are included in Trade and other payables.

When trading with derivative instruments, the Company enters into the EFET and ISDA framework contracts. These contracts generally allow mutual offset of receivables and payables upon the premature termination of agreement. The reason for premature termination is insolvency or non-fulfillment of agreed terms by the counterparty. The right to mutual offset is either embedded in the framework contract or results from the security provided. There is CSA (Credit Support Annex) concluded with some counterparties defining the permitted limit of exposure. When the limit is exceeded, there is a transfer of cash reducing exposure below an agreed level. Cash security (collateral) is also included in the final offset.

Short-term derivative assets are included in the balance sheet in Other financial assets, net, long-term derivative assets in Investments and other financial assets, net, long-term derivative liabilities in Other long-term liabilities and short-term derivative liabilities in Trade and other payables.

15. Financial Risk Management

Risk management approach

A risk management system is being successfully developed in order to protect the Group's value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

A risk capital concept is applied within the Group. The concept allows the setting of basic cap for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit, revenues and costs of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closing long-term contracts for electricity sale and emission allowances' purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating. Risks of Investment Projects are also managed and monitored based on unified quantification of all kinds of risk according to Group methodology.

Risk management organization

The supreme authority responsible for risk management in ČEZ, a. s. is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s. Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below:

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s. based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group;
- activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants);
- credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk;
- operational risks: risks of nuclear and fossil power plants operation, investment risks.

The development of quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization);
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation);
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

15.1. Qualitative Description of ČEZ, a. s. Risks Associated with Financial Instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused mainly on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows (including operational and investment foreign currency flows).

Credit risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Company's maximum exposure to credit risk to receivables and other financial instruments as at 31 December 2016 and 2015 is the carrying value of each class of financial assets except for financial guarantees.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ.

15.2. Quantitative Description of ČEZ, a. s. Risks Associated with Financial Instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IAS 39 (the underlying commodities in the Company's derivative transactions are: electricity, EUA and CER/ERU emission allowances, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level;
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany;
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series;
- the source of market data is mainly EEX, PXE and ICE;
- the indicator VaR illustrates mainly the impact of revaluation of above mentioned financial instruments to Income Statement.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2016	2015
Monthly VaR (95%) – impact of changes in commodity prices	887	555

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2017 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments;
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies;
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg;
- the indicator VaR illustrates mainly the impact of revaluation of above mentioned currency position to Income Statement.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2016	2015
Monthly currency VaR (95% confidence)	28	93

Interest risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification (as at December 31) was based on these assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk;
- the Income Statement sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31;
- the considered interest positions reflect all significant interest-sensitive positions;
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest rate risk as at December 31 (in CZK millions):

	2016	2015
IR sensitivity* to parallel yield curve shift (+10bp)	(11)	-

* Negative result denotes higher increase in interest costs than interest income.

Credit exposure

Credit exposure from provided guarantees at December 31 (in CZK millions):

	2016	2015
Guarantees provided to subsidiaries and joint-ventures	17,239	21,502

At December 31, 2016 and 2015, the guarantees provided to subsidiaries amounted to CZK 14,027 million and CZK 18,504 million, respectively and guarantees provided to joint-ventures amounted to CZK 3,212 million and CZK 2,998 million, respectively. The guarantees provided represent mainly guarantees issued in connection with concluded contracts, bank loans and other obligations of the respective companies. The beneficiary may claim the guarantee only under the conditions of the letter of guarantee, usually in relation to non-payment of amounts arising out of the contract or failure to fulfil the obligations arising out of the contract. The companies whose liabilities are subject to the guarantees currently comply with their obligations. The guarantees have various maturities. As of December 31, 2016 and 2015, some of the guarantees could be called until March 2027 and July 2028 at the latest, respectively.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2016 (in CZK millions):

	Bonds and debentures	Loans	Derivatives*	Trade and other payables	Guarantees issued**
Less than 1 year	6,190	2,302	242,596	72,918	17,239
Between 1 and 2 years	10,352	2,299	32,844	-	-
Between 2 and 3 years	6,314	2,295	12,371	-	-
Between 3 and 4 years	25,115	2,291	6,298	-	-
Between 4 and 5 years	28,298	2,034	9,880	-	-
Thereafter	94,038	4,895	45,963	-	-
Total	170,307	16,116	349,952	72,918	17,239

Contractual maturity profile of financial liabilities at December 31, 2015 (in CZK millions):

	Bonds and debentures	Loans	Derivatives*	Trade and other payables	Guarantees issued**
Less than 1 year	14,445	1,495	260,895	70,401	21,502
Between 1 and 2 years	6,130	1,966	27,968	-	-
Between 2 and 3 years	4,934	1,959	8,457	-	-
Between 3 and 4 years	6,284	1,952	3,679	-	-
Between 4 and 5 years	25,056	1,945	5,998	-	-
Thereafter	120,959	4,116	55,754	-	-
Total	177,808	13,433	362,751	70,401	21,502

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Company as at December 31, 2016 and 2015 amounted to CZK 21.7 billion and CZK 30.5 billion, respectively.

15.3. Hedge Accounting

The Company enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2017 to 2021. The hedging instruments as at December 31, 2016 and 2015 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.9 billion and EUR 2.9 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK 1,531 million and CZK 1,244 million at December 31, 2016 and 2015, respectively.

The Company also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2018 to 2022. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (3,588) million and CZK 4,263 million at December 31, 2016 and 2015, respectively.

The Company applied cash flow hedges of future highly probable purchases of emission allowances which had been expected to occur in 2016. The hedging instruments as at December 31, 2015 were the futures contracts for the purchase of allowances equivalent to 7.3 million tons of CO₂ emissions. The fair value of these derivative hedging instruments amounted to CZK 546 million at December 31, 2015. The final settlement of the purchase of these hedged emission allowances was in 2016.

In 2016 and 2015 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, Gains and losses from commodity derivative trading, net, Emission rights, net, Other financial expenses and Other financial income. In 2016 and 2015 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (29) million and CZK (791) million, respectively. The ineffectiveness in 2016 and 2015 was mainly caused by the fact that the hedged cash flows are no more highly probable to occur.

16. Provisions

The following is a summary of the provisions at December 31, 2016 and 2015 (in CZK millions):

	2016			2015		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Nuclear provisions	53,296	1,917	55,213	47,848	2,033	49,881
Provision for waste storage reclamation	827	88	915	986	86	1,072
Provision for CO ₂ emissions (see Note 9)	-	1,117	1,117	-	1,252	1,252
Provision for employee benefits	883	117	1,000	882	97	979
Provision for environmental claims	-	387	387	-	446	446
Provision for legal and commercial disputes	-	273	273	-	273	273
Other provisions	-	5	5	-	8	8
Total	55,006	3,904	58,910	49,716	4,195	53,911

16.1. Nuclear Provisions

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four units which were put into service from 1985 to 1987. Nuclear power plant Temelín has two units which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life. For the purpose of accounting for the nuclear provisions, it is assumed that the end of the plant's operating life will be 2035 for Dukovany and 2042 for Temelín. A 2013 Dukovany and a 2014 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 22.4 billion and CZK 18.4 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet as part of Restricted financial assets, net (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by legislation at 50 CZK per MWh produced at nuclear power plants till 2016 and at 55 CZK per MWh produced at nuclear power plants since 2017. In 2016 and 2015, respectively, the payments to the nuclear account amounted to CZK 1,205 million and CZK 1,342 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Company has established provisions as described in Note 2.21, to recognize its estimated liabilities for decommissioning and spent fuel storage.

The following is a summary of the nuclear provisions for the years ended December 31, 2016 and 2015 (in CZK millions):

	Accumulated provisions			Total
	Nuclear Decommissioning	Spent fuel storage		
		Interim	Long-term	
Balance at December 31, 2014	16,593	7,365	23,129	47,087
Movements during 2015:				
Discount accretion and effect of inflation	498	221	694	1,413
Provision charged to income statement	-	544	-	544
Effect of change in estimate charged to income statement	-	22	-	22
Effect of change in estimate added to fixed assets (see Note 2.21)	2,167	64	642	2,873
Current cash expenditures	-	(716)	(1,342)	(2,058)
Balance at December 31, 2015	19,258	7,500	23,123	49,881
Movements during 2016:				
Discount accretion and effect of inflation	481	188	578	1,247
Provision charged to income statement	-	421	-	421
Effect of change in estimate credited to income statement	-	(72)	-	(72)
Effect of change in estimate added to (deducted from) fixed assets (see Note 2.21)	(1,137)	46	6,748	5,657
Current cash expenditures	-	(716)	(1,205)	(1,921)
Balance at December 31, 2016	18,602	7,367	29,244	55,213

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers and other related equipment.

In 2016, the Company recorded a change in estimate for interim storage of spent nuclear fuel in connection with the change of anticipated future storage costs, in estimate for the nuclear decommissioning in connection with the change of timing of the costs for decommissioning expenditure in Dukovany nuclear power plant and in estimate for permanent storage of spent nuclear fuel because of the change in expected production in nuclear power plants and in the amount of the contribution paid to the state nuclear account from the year 2017 on.

In 2015 the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning in connection with change in discount rate and the change in long-term spent fuel storage in connection with the modification of the expected output of the nuclear power plants and change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

16.2. Provision for Waste Storage Reclamation

The following table shows the movements of the provision for waste storage reclamation for the years ended December 31, 2016 and 2015 (in CZK millions):

Balance at December 31, 2014	1,418
Movements during 2015:	
Discount accretion and effect of inflation	39
Effect of change in estimate added to tangible fixed assets	40
Current cash expenditures	(41)
Non-monetary contribution to Elektrárna Tisová, a.s.	(384)
Balance at December 31, 2015	1,072
Movements during 2016:	
Discount accretion and effect of inflation	27
Effect of change in estimate deducted from tangible fixed assets	(117)
Current cash expenditures	(67)
Balance at December 31, 2016	915

17. Other Long-term Liabilities

Other long-term liabilities at December 31, 2016 and 2015 are as follows (in CZK millions):

	2016	2015
Derivatives	5,769	1,957
Long-term deposit	1,250	1,929
Total	7,019	3,886

18. Short-term Loans

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

	2016	2015
Short-term bank loans	7,744	-
Bank overdrafts	130	10
Total	7,874	10

Interest on short-term loans is variable. The weighted average interest rate was 0.12% and 0.02% at December 31, 2016 and 2015, respectively. For the years 2016 and 2015 the weighted average interest rate was 0.08%.

19. Trade and Other Payables

Trade and other payables at December 31, 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Trade payables	27,126	24,565
Derivatives	37,492	16,908
Payables from Group cashpooling and similar intra-group loans	43,815	41,906
Other	1,977	3,735
Total	110,410	87,114

The information about payables to related parties is included in Note 29.

20. Accrued Liabilities

Accrued liabilities at December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Accrued interest	2,170	2,354
Unbilled goods and services	4,979	3,268
Taxes and fees, except income tax	373	319
Deferred income	53	91
Total	7,575	6,032

21. Revenues and Other Operating Income

Revenues and other operating income for the years ended December 31, 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Sale of electricity:		
Electricity sales – domestic:		
ČEZ Prodej, s.r.o.	19,106	22,210
POWER EXCHANGE CENTRAL EUROPE, a.s.	4,766	4,920
Other revenues from domestic customers	23,309	26,122
Other	5,688	3,092
Total electricity sales – domestic	52,869	56,344
Electricity sales – foreign	15,025	11,566
Effect of hedging – presales of electricity (Note 15.3)	2,989	4,055
Effect of hedging – currency risk hedging (Note 15.3)	(1,957)	(3,297)
Sales of ancillary and other services	3,536	3,967
Total sales of electricity	72,462	72,635
Sales of gas, heat and other revenues:		
Sales of gas	4,549	5,190
Sales of heat	1,903	2,069
Other revenues	1,674	1,829
Total sales of gas, heat and other revenues	8,126	9,088
Other operating income	1,205	1,597
Total revenues and other operating income	81,793	83,320

22. Gains and Losses from Commodity Derivative Trading, Net

Gains and losses from commodity derivative trading for the years ended December 31, 2016 and 2015 as follows (in CZK millions):

	2016	2015
Electricity derivative trading:		
Sales – domestic	3,986	5,278
Sales – foreign	136,126	165,038
Purchases – domestic	(3,392)	(4,768)
Purchases – foreign	(132,479)	(160,421)
Effect of hedging – currency risk hedging (Note 15.3)	(27)	(76)
Changes in fair value of derivatives	(4,127)	(4,611)
Total gains from electricity derivative trading, net	87	440
Other commodity derivative trading:		
Loss from gas derivative trading	(221)	(228)
Loss from oil derivative trading	(12)	(714)
Loss from coal derivative trading	(92)	(2)
Total gains and losses from derivative trading, net	(238)	(504)

23. Salaries and Wages

Salaries and wages for the years ended December 31, 2016 and 2015 were as follows (in CZK millions):

	2016		2015	
	Total	Key management personnel ¹⁾	Total	Key management personnel ¹⁾
Salaries and wages including remuneration of board members	(3,934)	(217)	(3,642)	(224)
Share options	(22)	(22)	(31)	(31)
Social and health security	(1,258)	(36)	(1,169)	(37)
Other personal expenses	(389)	(22)	(349)	(16)
Total	(5,603)	(297)	(5,191)	(308)

¹⁾ Members of Supervisory Board, Audit Committee and Board of Directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

The members of Board of Directors and selected managers were entitled to use company cars for both business and private purposes in addition to the personal expenses.

If the Company terminates a contract with a member of Board of Directors before his/her four-year term of office expires (except for resignation), the Director is entitled to a severance pay. Method of determination of the amount of the severance payment and conditions are stipulated in the respective contract of the member of Board of Directors.

At December 31, 2016 and 2015, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,512 thousand and 2,391 thousand, respectively.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure according to rules of the share option plan. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficiary has to hold at his account such number of shares exercised through options granted, which is equivalent to 20% of profit, made on exercise date until the end of share option plan.

In 2016 and 2015 the Company recognized a compensation expense of CZK 22 million and CZK 31 million, respectively, related to the granted options.

The following table shows changes during 2016 and 2015 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			Weighted average exercise price (CZK per share)
	Board of Directors ('000s)	Selected managers ('000s)	Total ('000s)	
Share options at December 31, 2014	1,827	748	2,575	643.14
Options granted	550	175	725	541.45
Options exercised ¹⁾	(100)	(20)	(120)	565.54
Options forfeited	(457)	(332)	(789)	749.16
Share options at December 31, 2015²⁾	1,820	571	2,391	581.18
Options granted	550	185	735	423.59
Options forfeited	(390)	(224)	(614)	646.36
Share options at December 31, 2016²⁾	1,980	532	2,512	519.16

¹⁾ In 2015 the weighted average share price at the date of the exercise for the options exercised was CZK 635.79.

²⁾ At December 31, 2016 and 2015 the number of exercisable options was 1,107 thousand and 988 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 566.62 per share and CZK 602.30 per share at December 31, 2016 and 2015, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2016	2015
Weighted average assumptions:		
Dividend yield	4.6%	4.2%
Expected volatility	24.1%	22.8%
Mid-term risk-free interest rate	0.3%	0.3%
Expected life (years)	1.4	1.4
Share price (CZK per share)	422.7	523.1
Weighted average grant-date fair value of options (CZK per 1 option)	36.3	36.7

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At December 31, 2016 and 2015 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2016	2015
CZK 350–550 per share	1,565	910
CZK 550–750 per share	947	1,481
Total	2,512	2,391

The options granted which were outstanding as at December 31, 2016 and 2015 had an average remaining contractual life of 1.8 years and 1.9 years, respectively.

24. Other Operating Expenses

Other operating expenses for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Services	(5,704)	(5,407)
Change in provisions and valuation allowances	1,536	1,628
Taxes and fees	(1,531)	(1,677)
Write-off of bad debts	(2)	(28)
Travel expense	(70)	(61)
Gifts	(154)	(120)
Loss on sale of property, plant and equipment	–	(11)
Loss on sale of material	(59)	–
Fines and interest fees for delays	–	(323)
Other	(897)	(1,055)
Total	(6,881)	(7,054)

Taxes and fees include the contributions to the nuclear account (see Note 16). The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

25. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2016 and 2015 was as follows (in CZK millions):

	2016	2015
Loans and receivables	515	614
Held-to-maturity investments	38	26
Available-for-sale investments	179	214
Bank accounts	185	232
Total	917	1,086

26. Other Financial Expenses

Other financial expenses for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Impairment of financial investments	(5,635)	(4,491)
Loss on sale of available-for-sale financial assets	(12)	-
Costs of buy back of bonds	-	(843)
Liquidation of CEZ Finance Ireland Ltd.	(9,016)	-
Other	(60)	(104)
Total	(14,723)	(5,438)

27. Other Financial Income

Other financial income for the years ended December 31, 2016 and 2015 consist of the following (in CZK millions):

	2016	2015
Dividends received	15,170	25,099
Derivative gains	306	419
Gains on sale of available-for-sale financial assets	67	422
Refunded gift tax on emission rights ¹⁾	-	3,807
Liquidation of CEZ Finance Ireland Ltd.	9,034	-
Other	55	161
Total	24,632	29,908

¹⁾ In November 2015 the Company was refunded part of the gift tax on emission allowances paid in 2011 and 2012 based on the decisions of Appellate Tax Directorate.

28. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2016 and 2015.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have potential effect on reported income.

The components of the income tax provision were as follows (in CZK millions):

	2016	2015
Current income tax charge	(28)	(1,312)
Adjustments in respect of current income tax of previous periods	(2)	(6)
Deferred income taxes	402	249
Total	372	(1,069)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings were as follows (in CZK millions):

	2016	2015
Income before income taxes	8,462	29,184
Statutory income tax rate	19%	19%
"Expected" income tax expense	(1,608)	(5,545)
Tax effect of:		
Non-deductible provisions and allowances, net	(1,098)	(1,060)
Non-deductible expenses related to shareholdings	(18)	(16)
Non-taxable income from dividends	2,878	4,765
Non-deductible share based payment expense	(4)	(6)
Non-taxable gain (loss) on sale of subsidiary	63	(23)
Gift tax on emission allowances refund	-	723
Adjustments in respect of current income tax of previous periods	(2)	(6)
Other non-deductible items, net	161	99
Income tax	372	(1,069)
Effective tax rate	(4)%	4%

Deferred income tax liability, net, at December 31, 2016 and 2015 was calculated as follows (in CZK millions):

	2016	2015
Nuclear provisions	8,813	7,894
Other provisions	630	676
Allowances	781	667
Deferred tax recognized in equity	1,768	28
Other temporary differences	169	119
Total deferred tax assets	12,161	9,384
Tax depreciation in excess of financial statement depreciation	(20,332)	(19,707)
Deferred tax recognized in equity	(197)	(196)
Other temporary differences	(635)	(624)
Total deferred tax liability	(21,164)	(20,527)
Total deferred tax liability, net	(9,003)	(11,143)

Movements in net deferred tax liability, net, in 2016 and 2015 were as follows (in CZK millions):

	2016	2015
Opening balance	11,143	9,623
Deferred tax recognized in profit or loss	(343)	(227)
Deferred tax from non-monetary contribution to subsidiaries recognized in profit or loss	(59)	(22)
Deferred tax recognized in other comprehensive income	(1,738)	1,769
Closing balance	9,003	11,143

Tax effects relating to each component of other comprehensive income (in CZK million):

	2016			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	(7,438)	1,413	(6,025)	11,922	(2,265)	9,657
Cash flow hedges reclassified to income statement	(1,632)	310	(1,322)	(1,954)	371	(1,583)
Cash flow hedges reclassified to assets	(85)	16	(69)	(230)	43	(187)
Change in fair value of available-for-sale financial assets recognized in equity	9	(1)	8	(429)	82	(347)
Total	(9,146)	1,738	(7,408)	9,309	(1,769)	7,540

29. Related Parties

The Company purchases/sells products, goods and services from/to related parties in the ordinary course of business.

At December 31, 2016 and 2015, the receivables from related parties and payables to related parties were as follows (in CZK millions):

	Receivables		Payables	
	2016	2015	2016	2015
Baltic Green Construction sp. z o.o.	569	302	-	-
CEZ Bulgaria EAD	36	103	1	2
CEZ Bulgarian Investments B.V.	-	-	340	370
CEZ Distributie S.A.	36	3,524	-	-
CEZ Hungary Ltd.	191	312	23	49
CEZ Chorzów S.A.	279	168	-	1
CEZ International Finance B.V.	-	-	1,523	1,383
CEZ MH B.V.	-	-	2,890	2,511
CEZ Poland Distribution B.V. ¹⁾	732	108	2	2,334
CEZ Polska sp. z o.o.	1	3	1,445	843
CEZ Romania S.A.	13	179	83	712
CEZ Skawina S.A.	240	228	90	101
CEZ Slovensko, s.r.o.	502	852	85	8
CEZ Trade Polska sp. z o.o.	190	129	8	6
CM European Power Slovakia s.r.o. ²⁾	-	494	-	-
ČEZ Bohunice a.s.	-	-	194	198
ČEZ Distribuce, a. s.	8,133	9,294	8,126	7,488
ČEZ Distribuční služby, s.r.o.	5	11	5,305	5,128
ČEZ Energetické produkty, s.r.o.	13	18	305	249
ČEZ ENERGOSEKVIS spol. s r.o.	163	18	498	232
ČEZ ESCO, a.s.	2	-	178	339
ČEZ ICT Services, a. s.	62	89	959	634
ČEZ Inženýring, s.r.o.	1	1	140	125
ČEZ Korporátní služby, s.r.o.	15	12	713	753
ČEZ Obnovitelné zdroje, s.r.o.	8	12	241	149
ČEZ OZ uzavřený investiční fond a.s.	72	-	-	311
ČEZ Prodej, s.r.o.	3,729	4,140	9,726	12,003
ČEZ Teplárenská, a.s.	259	177	557	309
ČEZ Zákaznické služby, s.r.o.	1	2	129	83
Eco-Wind Construction S.A.	267	419	2	-
Elektrárna Dětmarovice, a.s.	334	349	1,776	1,398
Elektrárna Dukovany II, a. s.	15	-	302	-
Elektrárna Počeradky, a.s.	717	302	7,124	6,167
Elektrárna Temelín II, a. s.	11	-	326	-
Elektrárna Tisová, a.s.	70	62	715	246
Energetické centrum, s.r.o.	80	104	25	17
Energocentrum Vítkovice, a. s.	88	-	94	8
Energotrans, a.s.	279	332	740	303
Inven Capital, investiční fond, a.s. ³⁾	1	336	912	24
M. W. Team Invest S.R.L.	-	877	-	-
Ovidiu Development S.R.L.	-	7,830	40	28
PRODECO, a.s.	-	-	457	72
Revitrans, a.s.	166	129	263	81
SD-Kolejová doprava, a.s.	1	1	275	216
Severočeské doly a.s.	14	212	720	643
ŠKODA PRAHA Invest s.r.o.	184	623	1,114	1,121
Telco Pro Services, a. s.	4	9	182	244
Tomis Team S.A.	-	237	59	48
ÚJV Řež, a. s.	2	1	413	185
Other	259	340	305	237
Total	17,744	32,339	49,405	47,359

The following table provides the total amount of transactions (sales and purchases), which were entered into with related parties in 2016 and 2015 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2016	2015	2016	2015
CEZ Bulgaria EAD	26	151	1	1
CEZ Distributie S.A.	303	304	-	-
CEZ Hungary Ltd.	1,156	1,672	11	7
CEZ Chorzów S.A.	277	195	-	6
CEZ Romania S.A.	73	122	-	-
CEZ Skawina S.A.	240	302	1,057	1,184
CEZ Slovensko, s.r.o.	2,759	3,206	47	26
CEZ Srbija d.o.o.	23	244	95	285
CEZ Trade Bulgaria EAD	40	123	161	205
CEZ Trade Polska sp. z o.o.	2,063	1,858	38	47
CEZ Vanzare S.A.	501	473	-	-
ČEZ Distribuce, a. s.	466	472	62	127
ČEZ Distribuční služby, s.r.o.	39	73	-	1
ČEZ Energetické produkty, s.r.o.	13	13	570	493
ČEZ Energetické služby, s.r.o.	15	15	15	89
ČEZ Energo, s.r.o.	-	17	-	251
ČEZ ENERGOŠERVIS spol. s r.o.	32	35	1,145	963
ČEZ ICT Services, a. s.	53	62	1,113	1,303
ČEZ Inženýring, s.r.o.	11	12	142	161
ČEZ Korporátní služby, s.r.o.	63	78	512	512
ČEZ Obnovitelné zdroje, s.r.o.	2	3	235	267
ČEZ Prodej, s.r.o.	24,018	27,613	1,403	2,034
ČEZ Teplárenská, a.s.	1,649	1,829	206	183
Elektrárna Dětmarovice, a.s.	627	1,011	2,429	3,392
Elektrárna Počerady, a.s.	5,505	3,012	7,456	5,113
Elektrárna Tisová, a.s.	606	131	1,385	340
Energocentrum Vítkovice, a. s.	101	-	116	-
Energotrans, a.s.	1,000	1,255	1,218	1,223
LOMY MOŘINA spol. s r.o.	-	-	189	168
MARTIA a.s.	5	4	229	69
OSC, a.s.	-	-	119	129
Ovidiu Development S.R.L.	103	221	405	307
SD-Kolejová doprava, a.s.	7	16	849	885
Severočeské doly a.s.	65	82	3,971	4,393
ŠKODA PRAHA Invest s.r.o.	277	10	5,668	5,090
Tomis Team S.A.	77	89	484	604
ÚJV Řež, a. s.	3	3	757	389
Other	278	333	186	150
Total	42,476	45,039	32,274	30,397

¹⁾ In 2016 CEZ Silesia B.V. merged with the succession company CEZ Poland Distribution B.V. with the legal effective date of August 18, 2016.

²⁾ The Company disposed of its interest in CM European Power Slovakia s.r.o. in 2016.

³⁾ In 2016 the company ČEZ Nová energetika, a. s. was renamed to Inven Capital, investiční fond, a.s.

The Company and some of its subsidiaries are included in the cash-pool system. Payables to subsidiaries related to cash-pooling and similar borrowings are included in Trade and other payables (see Note 19).

Information about compensation of key management personnel is included in Note 23.

30. Segment Information

The Company is involved in the generation and sale of electricity and trading in electricity which represents a single operating segment. The Company operates mainly in the European Union markets. The Company has not identified any other separate operating segments.

31. Earnings per Share

	2016	2015
Numerator – basic and diluted (CZK millions)		
Net income	8,834	28,115
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,235	534,193
Dilutive effect of share options	7	84
Diluted:		
Adjusted weighted average shares	534,242	534,277
Net income per share (CZK per share)		
Basic	16.5	52.6
Diluted	16.5	52.6

32. Commitments and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2016 over the next five years as follows (in CZK billion):

2017	10.6
2018	7.9
2019	9.5
2020	11.0
2021	12.0
Total	51.0

These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2016 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations is liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing the Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has obtained all insurance policies with minimal limits as required by the law.

The Company also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third party liability insurance in connection with main operations of the Company.

33. Events after the Balance Sheet Date

On January 2, 2017 the Company transferred of its 100% interest in the company Elektrárna Tisová, a.s. to Sokolovská uhelná, právní nástupce, a.s.

In January 2017 the Company selected the winner of the tender for the sale of its housing assets in Prague-Písnice. The sale is expected to take place in the first half of 2017.

These financial statements have been authorized for issue on March 20, 2017.



Daniel Beneš
Chairman of Board of Directors



Martin Novák
Vice-chairman of Board of Directors

Identification of ČEZ, a. s.

ČEZ, a. s.

Duhová 2/1444
140 53 Praha 4
Czechia

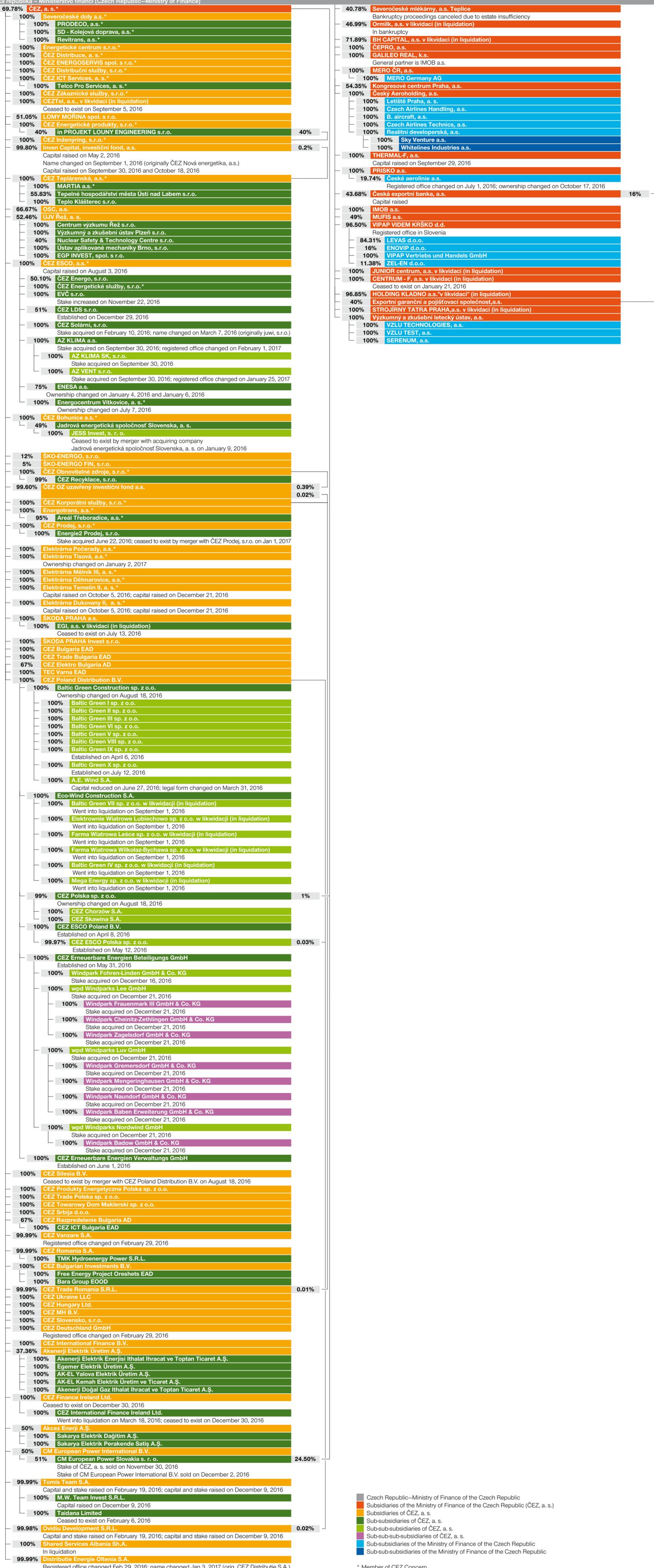
Registered in the Commercial Register kept by the
Municipal Court in Prague, Section B, File 1581

Established:	1992
Legal form:	Joint-stock company
ID No.:	452 74 649
VAT ID No.:	CZ45274649
Bankers:	KB Praha 1, acc. No. 71504011/0100
Telephone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	www.cez.cz
E-mail:	cez@cez.cz

Closing date of the 2016 Annual Report: March 16, 2017.

Relation Structure Diagram in 2016
Alphabetical List of Companies in 2016

Česká republika – Ministerstvo financí (Czech Republic—Ministry of Finance)



Czech Republic—Ministry of Finance of the Czech Republic
 Subsidiaries of the Ministry of Finance of the Czech Republic (ČEZ, a. s.)
 Subsidiaries of ČEZ, a. s.
 Sub-subsidiaries of ČEZ, a. s.
 Sub-subsidiaries of ČEZ, a. s.
 Sub-subsidiaries of ČEZ, a. s.
 Sub-subsidiaries of the Ministry of Finance of the Czech Republic
 Sub-subsidiaries of the Ministry of Finance of the Czech Republic

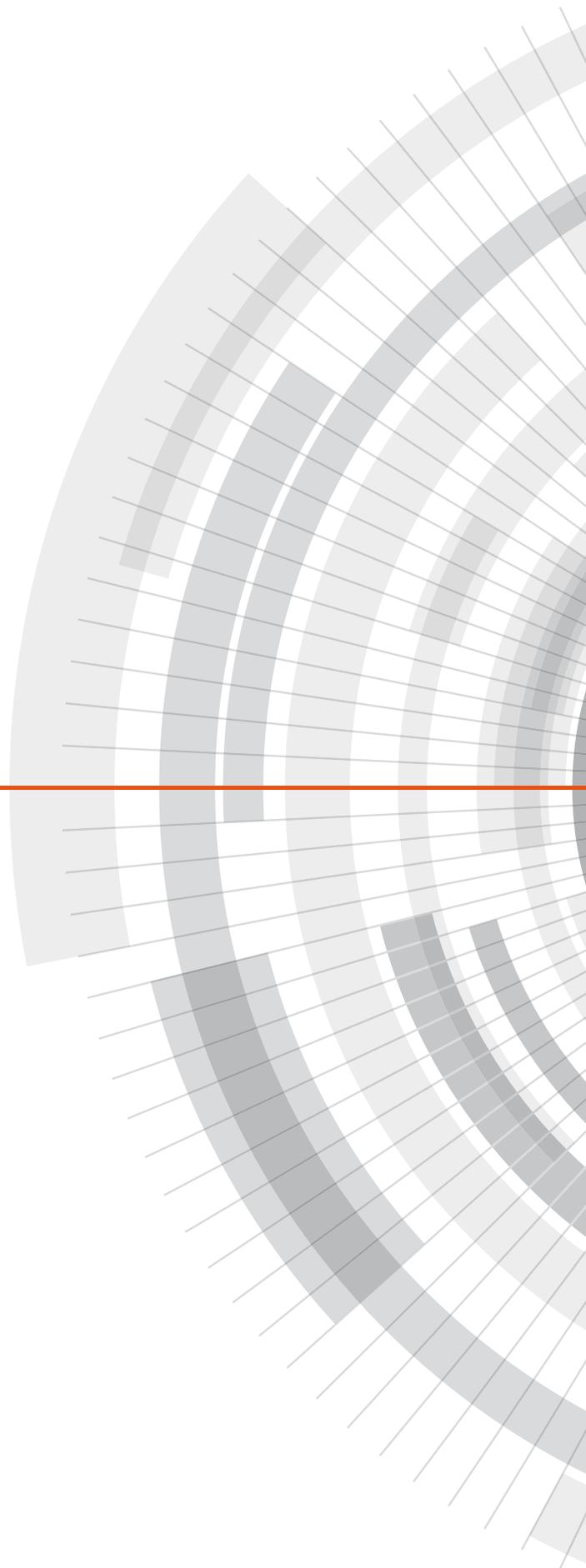
* Member of CEZ Concern

Annex 2 Alphabetical List of Companies in 2016

No.	Company Name	Company Reg. No.	Registered Office
1	A.E. Wind S.A.	0000300814	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
2	Akceiz Enerji A.Ş.	683905	Adapazan, Sakarya, Maltepe Mahallesi, Orhangazi Caddesi Trafo Tesisleri No: 72, Oda: 1, postcode 54100, Turkey
3	AK-EL Kemah Elektrik Üretim ve Ticaret A.Ş.	736921	İstanbul, Miralay Şefik Bey Sokak No: 13, Kat: 4, Oda: 1, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
4	AK-EL Yalova Elektrik Üretim A.Ş.	417382	İstanbul, Miralay Şefik Bey Sokak No. 15-17, K: 3-4, Oda No. 1, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
5	Akenerji Doğal Gaz İthalat İhracat ve Toptan Ticaret A.Ş.	745367	İstanbul, Miralay Şefik Bey Sokak No. 15, Kat: 3, Oda: 3, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
6	Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	512971	İstanbul, Miralay Şefik Bey Sokak, Ak Han No. 15-17, K: 3-4, Oda No. 2, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
7	Akenerji Elektrik Üretim A.Ş.	255005	İstanbul, Miralay Şefik Bey Sok. Ak-Han No. 15, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
8	Areál Třeboradice, a.s.	29132282	Praha 4, Duhová 1444/2, Michle, postcode 140 00
9	AZ KLIMA a.s.	24772631	Brno, Tuřanka 1519/115a, Slatina, postcode 627 00
10	AZ KLIMA SK, s.r.o.	35796944	Bratislava, Prijazdná 7/A, postcode 831 07, Slovakia
11	AZ VENT s.r.o.	04019261	Brno, Tuřanka 1519/115a, Slatina, postcode 627 00
12	B. aircraft, a.s.	24253006	Praha 6, Jana Kařpara 1069/1, Ruzyně, postcode 161 00
13	Baltic Green Construction sp. z o.o.	0000568025	Warszawa, Aleje Jerozolimskie 63, postcode 00-697, Poland
14	Baltic Green I sp. z o.o.	0000441069	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
15	Baltic Green II sp. z o.o.	0000441363	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
16	Baltic Green III sp. z o.o.	0000440952	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
17	Baltic Green IV sp. z o.o. w likwidacji (in liquidation)	0000374097	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
18	Baltic Green V sp. z o.o.	0000514397	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
19	Baltic Green VI sp. z o.o.	0000516616	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
20	Baltic Green VII sp. z o.o. w likwidacji (in liquidation)	0000517536	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
21	Baltic Green VIII sp. z o.o.	0000516701	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
22	Baltic Green IX sp. z o.o.	0000610092	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
23	Baltic Green X sp. z o.o.	0000627827	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
24	Bara Group FOOD	120545968	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1784, Bulgaria
25	BH CAPITAL, a.s. v likvidaci (in liquidation)	00546682	Brno, Přikop 843/4, Zábřovice, postcode 602 00
26	CENTRUM - F, a.s. v likvidaci (in liquidation)	00013455	Praha 2, Blanická 922/25, Vinohrady, postcode 120 00
27	Centrum výzkumu Řež s.r.o.	26722445	Husinec-Rež 130, postcode 250 68
28	CEZ Bulgaria EAD	131434768	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1784, Bulgaria
29	CEZ Bulgarian Investments B.V.	51661969	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
30	CEZ Deutschland GmbH	HRB 140377	Hamburg, Neuer Wall 10 / Jungfernstieg, postcode 20354, Germany
31	CEZ Elektro Bulgaria AD	175133827	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1784, Bulgaria
32	CEZ Erneuerbare Energien Beteiligungs GmbH	HRB 141607	Hamburg, Neuer Wall 10, postcode 20354, Germany
33	CEZ Erneuerbare Energien Verwaltungs GmbH	HRB 141626	Hamburg, Neuer Wall 10, postcode 20354, Germany
34	CEZ ESCO Poland B.V.	67582267	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
35	CEZ ESCO Polska sp. z o.o.	0000616808	Warszawa, Al. Jerozolimskie 61, postcode 00-697, Poland
36	CEZ Finance Ireland Ltd.	471391	Limerick, Doran Minehane, Crescent House, Upper Hartstonge Street, Ireland
37	CEZ Hungary Ltd.	13520670-4013-113-01	Budapest, Rétköz u. 5, postcode 1118, Hungary
38	CEZ Chorzów S.A.	0000060086	Chorzów, ul. Marii Skłodowskiej-Curie 30, postcode 41-503, Poland
39	CEZ ICT Bulgaria EAD	203517599	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1712, Bulgaria
40	CEZ International Finance B.V.	24461985	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
41	CEZ International Finance Ireland Ltd.	494547	Dublin 2, Arthur Cox Building, Earlsfort Terrace, Ireland
42	CEZ MH B.V.	24426342	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
43	CEZ Poland Distribution B.V.	24301380	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
44	CEZ Polska sp. z o.o.	0000266114	Warszawa, Aleje Jerozolimskie 63, postcode 00-697, Poland
45	CEZ Produkty Energetyczne Polska sp. z o.o.	0000321795	Chorzów, ul. Marii Skłodowskiej-Curie 30, postcode 41-503, Poland
46	CEZ Razpredelenie Bulgaria AD	130277958	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1784, Bulgaria
47	CEZ Romania S.A.	18196091	București, Sector 1, Ion Ionescu de la Brad, Nr. 2B, Romania
48	CEZ Silesia B.V.	24305701	Amsterdam Zuidoost, Hogehilweg 5D, postcode 1101 CA, Netherlands
49	CEZ Skawina S.A.	0000038504	Skawina, ul. Pilsudskiego 10, postcode 32-050, Poland
50	CEZ Slovensko, s.r.o.	36797332	Bratislava, Mlynské nivy 48, postcode 821 09, Slovakia
51	CEZ Srbija d.o.o.	20180650	Beograd, Bulevar Zorana Dindića 65, Serbia
52	CEZ Towarowy Dom Maklerski sp. z o.o.	0000287855	Warszawa, Aleje Jerozolimskie 63, postcode 00-697, Poland
53	CEZ Trade Bulgaria EAD	113570147	Sofia, 2 Positano Sq., Office 7, floor 7, postcode 1000, Bulgaria
54	CEZ Trade Polska sp. z o.o.	0000281965	Warszawa, Aleje Jerozolimskie 63, postcode 00-697, Poland
55	CEZ Trade Romania S.R.L.	21447690	București, Sector 1, Ion Ionescu de la Brad, Nr. 2B, Romania
56	CEZ Ukraine LLC	34728482	Kyiv, Velyka Vasylyvska street 5, postcode 01004, Ukraine
57	CEZ Vanzare S.A.	21349608	Craiova, Dolj County, 97, Calea Severinului St., postcode 200731, Romania
58	CEZTel, a.s., v likvidaci (in liquidation)	25107950	Praha 4, Duhová 1531/3, postcode 140 53
59	CM European Power International B.V.	24439848	Rotterdam, Weena 327, postcode 3013 AL, Netherlands
60	CM European Power Slovakia s. r. o.	44354258	Bratislava, Vičie hrdlo 1, postcode 824 12, Slovakia
61	Czech Airlines Handling, a.s.	25674285	Praha 6, Aviatická 1017/2, postcode 160 08
62	Czech Airlines Technics, a.s.	27145573	Praha 6, Jana Kařpara 1069/1, Ruzyně, postcode 160 08
63	ČEPRO, a.s.	60193531	Praha 7, Dělnická 213/12, Holeřovice, postcode 170 00
64	Česká exportní banka, a.s.	63078333	Praha 1, Vodičkova 34/701, postcode 111 21
65	Česká republika – Ministerstvo financí (Czech Republic—Ministry of Finance)	00006947	Praha, Letenská 15, postcode 118
66	České aerolinie a.s.	45795908	Praha 6, Evropská 846/176a, Vokovice, postcode 160 00
67	Český Aeroholding, a.s.	24821993	Praha 6, Jana Kařpara 1069/1, postcode 160 08
68	ČEZ, a. s.	45274649	Praha 4, Duhová 2/1444, postcode 140 53
69	ČEZ Bohunice a.s.	28861736	Praha 4, Duhová 2/1444, postcode 140 53
70	ČEZ Distribuce, a. s.	24729035	Děčín, Teplická 874/8, Děčín IV-Podmokly, postcode 405 02
71	ČEZ Distribuční služby, s.r.o.	26871823	Hradec Králové, Riegrovo náměstí 1493/3, Pražské Předměstí, postcode 500 02
72	ČEZ Energetické produkty, s.r.o.	28255933	Hostivice, Komenského 534, postcode 253 01
73	ČEZ Energetické služby, s.r.o.	27804721	Ostrava, Výstavní 1144/103, Vítkovice, postcode 703 00
74	ČEZ Energo, s.r.o.	29060109	Praha 8, Karolinská 661/4, Karlín, postcode 186 00
75	ČEZ ENERGOSERVIS spol. s r.o.	60698101	Třebíč, Bráfova tř. 1371/16, Horka-Domy, postcode 674 01
76	ČEZ ESCO, a.s.	03592880	Praha 4, Duhová 1444/2, Michle, postcode 140 00
77	ČEZ ICT Services, a. s.	26470411	Praha 4, Duhová 1531/3, postcode 140 53
78	ČEZ Inženýring, s.r.o.	02735385	Praha 4, Duhová 1444/2, Michle, postcode 140 00
79	ČEZ Korporátní služby, s.r.o.	26206803	Ostrava, 28. října 3123/152, Moravská Ostrava, postcode 702 00
80	ČEZ LDS s.r.o.	01873237	Praha 4, Duhová 1444/2, Michle, postcode 140 00
81	ČEZ Obnovitelné zdroje, s.r.o.	25938924	Hradec Králové, Křižíkova 788/2, postcode 500 03
82	ČEZ OZ uzavřený investiční fond a.s.	24135780	Praha 4, Duhová 1444/2, postcode 140 53
83	ČEZ Prodej, s.r.o.	27232433	Praha 4, Duhová 1/425, postcode 140 53
84	ČEZ Recyklace, s.r.o.	03479919	Praha 4, Duhová 1444/2, Michle, postcode 140 00
85	ČEZ Solární, s.r.o.	27282074	Liberec X, Mydlářská 105/10, Frantiřkov, postcode 460 10
86	ČEZ Teplárenská, a.s.	27309941	Říčany, Bezručova 2212/30, postcode 251 01
87	ČEZ Zákaznické služby, s.r.o.	26376547	Plzeň, Guldenerova 2577/19, postcode 326 00
88	Distributie Energie Oltenia S.A.	14491102	Craiova, Dolj County, 97, Calea Severinului St., postcode 200731, Romania
89	Eco-Wind Construction S.A.	0000300426	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
90	Egemen Elektrik Üretim A.Ş.	695245	İstanbul, Miralay Şefik Bey Sokak, No. 13, K: 4, Oda No. 1, Gümüşsuyu Beyoğlu, postcode 34437, Turkey
91	EGI, a.s. v likvidaci (in liquidation)	60721332	Praha 6, Milady Horákové 109/108, Bubeneč, postcode 160 00
92	EGP INVEST, spol. s r.o.	16361679	Uherský Brod, Ant. Dvořáka 1707, postcode 688 01
93	Elektrárna Dětmarovice, a.s.	29452279	Dětmarovice 1202, postcode 735 71
94	Elektrárna Dukovany II, a. s.	04669207	Praha 4, Duhová 1444/2, Michle, postcode 140 00
95	Elektrárna Mělník III, a. s.	24263397	Praha 4, Duhová 1444/2, Michle, postcode 140 00
96	Elektrárna Počerady, a.s.	24288110	Praha 4, Duhová 1444/2, postcode 140 53
97	Elektrárna Temelín II, a. s.	04669134	Praha 4, Duhová 1444/2, Michle, postcode 140 00
98	Elektrárna Tisová, a.s.	29160189	Březová, Tisová 2, postcode 356 01
99	Elektrownie Wiatrowe Lubiechowo sp. z o.o. w likwidacji (in liquidation)	0000291340	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
100	Energetické centrum s.r.o.	26051818	Jindřichův Hradec, Otín 3, postcode 377 01
101	Energie2 Prodej, s.r.o.	29134013	Praha 4, Duhová 1531/3, Michle, postcode 140 00
102	Energocentrum Vítkovice, a. s.	03936040	Praha 4, Duhová 1444/2, Michle, postcode 140 00
103	Energotrans, a.s.	47115726	Praha 4, Duhová 1444/2, Michle, postcode 140 00
104	ENESA a.s.	27382052	Praha 9, U Voborníků 852/10, Vysočany, postcode 190 00
105	ENOVIP d.o.o.	6632157000	Krško, 18 Tovarniška ulica, postcode 8270, Slovenia
106	EVČ s.r.o.	13582275	Pardubice, Arnošta z Pardubic 676, Zelené Předměstí, postcode 530 02
107	Exportní garanční a pojišťovací společnost,a.s.	45279314	Praha 1, Vodičkova 34/701, postcode 111 21
108	Farma Wiatrowa Leśce sp. z o.o. w likwidacji (in liquidation)	0000330281	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
109	Farma Wiatrowa Wilkopolz-Bychawa sp. z o.o. w likwidacji (in liquidation)	0000330670	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
110	Free Energy Project Oreshets EAD	201260227	Sofia, Mladost District, 159 Tsarigradsko Shosse Blvd., BenchMark Business Centre, postcode 1784, Bulgaria
111	GALILEO REAL, k.s.	26175291	Praha 8, Thámova 181/20, postcode 186 00
112	HOLDING KLADNO a.s. "v likvidaci" (in liquidation)	45144419	Kladno, Cyrila Boudy 1444, Kročehlavy, postcode 272 01
113	IMOB a.s.	60197901	Praha 8, Thámova 181/20, Karlín, postcode 186 00
114	in PROJEKT LOUNY ENGINEERING s.r.o.	44569688	Louny, Na Valích 899, postcode 440 01
115	Inven Capital, investiční fond, a.s.	02059533	Praha 4, Pod křížkem 1773/2, Braník, postcode 147 00
116	Jadrová energetická spoločnosť Slovenska, a. s.	45337241	Bratislava, Tomášikova 22, postcode 82102, Slovakia
117	JESS Invest, s. r. o.	45659044	Bratislava, Tomášikova 22, postcode 82102, Slovakia
118	JUNIOR centrum, a.s. v likvidaci (in liquidation)	48154946	Seč, ul. Čs. pionýrů 197, postcode 538 07
119	Kongresové centrum Praha, a.s.	63080249	Praha 4, 5. května 1640/65, Nusle, postcode 140 00
120	Letiště Praha, a. s.	28244532	Praha 6, K Letišti 6/1019, postcode 160 08
121	LEVAS d.o.o.	5498325	Krško, 18 Tovarniška ulica, postcode 8270, Slovenia
122	LOMY MOŘINA spol. s r.o.	61465569	Mořina 73, postcode 267 17
123	M.W. Team Invest S.R.L.	18926986	București, 2B Ion Ionescu de la Brad Street, 2nd floor, room 3, Sector 1, postcode 013813, Romania
124	MARTIA a.s.	25006754	Ústí nad Labem, Mezni 2854/4, Severní Terasa, postcode 400 11
125	Mega Energy sp. z o.o. w likwidacji (in liquidation)	0000374306	Warszawa, ul. Marynarska 11, postcode 02-674, Poland
126	MERO ČR, a.s.	60193468	Kralupy nad Vltavou, Veltruská 748, postcode 278 01
127	MERO Germany AG	152122768	Vohnburg an der Donau, MERO-Weg 1, postcode 850 88, Germany
128	MUFIS a.s.	60196696	Praha 1, Jeruzalémská 964/4, postcode 110 00
129	Nuclear Safety & Technology Centre s.r.o.	27091490	Husinec-Rež 130, postcode 250 68
130	Ormilik, a.s. v likvidaci (in liquidation)	60109092	Žamberk, postcode 564 01
131	OSC, a.s.	60714794	Brno, Slaňkova 557/18a, Ponava, postcode 602 00
132	Ovidiu Development S.R.L.	18874682	București, 2B Ion Ionescu de la Brad Street, 2nd floor, room 1, Sector 1, postcode 013813, Romania
133	PRISKO a.s.	46355901	Praha 8, Thámova 181/20, Karlín, postcode 186 00
134	PRODECO, a.s.	25020790	Blina, Důlní 437, Mostecké Předměstí, postcode 418 01
135	Realitní developerská, a.s.	27174166	Praha 6, Jana Kařpara 1069/1, Ruzyně, postcode 161 00
136	Revitrans, a.s.	25028197	Blina, Důlní 429, postcode 418 01
137	Sakarya Elektrik Dağıtım A.Ş.	10941-18573	Adapazan, Sakarya, Maltepe Mahallesi, Orhangazi Cad. TEK Trafo İstasyonu P.K. 160, postcode 541 00, Turkey
138	Sakarya Elektrik Perakende Satış A.Ş.	23996	İzmit, Kocaelli, Karabağ Mahallesi, Hafız Selim Sokak D-100, Karayolu Ustu No: 14 Ofis, No: 25-26-27, postcode 354 30, Turkey
139	SD - Kolejová doprava, a.s.	25438107	Kadaň, Tuřimice 7, postcode 432 01
140	SERENUM, a.s.	01438875	Praha 9, Letňany, Beranových 130, postcode 199 00
141	Severočeské doly a.s.	49901982	Chomutov, Boženy Němcové 5359, postcode 430 01
142	Severočeské mlékárny, a.s. Teplice	48291749	Teplice, Libušina 2154, postcode 415 03
143	Shared Services Albania Sh.A.	K91629005R	Tirana, Abdyl Frasherí Street, EGT Tower, P. 12/1, Albania
144	Sky Venture a.s.	27361381	Praha 6, Jana Kařpara 1069/1, postcode 160 08
145	STROJIRNY TATRA PRAHA,a.s. v likvidaci (in liquidation)	00674311	Praha 5, K metru 312, Zličín, postcode 155 21
146	ŠKODA PRAHA a.s.	00128201	Praha 4, Duhová 2/1444, Michle, postcode 140 00
147	ŠKODA PRAHA Invest s.r.o.	27257517	Praha 4, Duhová 2/1444, postcode 140 74
148	ŠKO-ENERGO FIN, s.r.o.	61675954	mladá Boleslav II, tř. Václava Klementa 869, postcode 293 01
149	ŠKO-ENERGO, s.r.o.	61675938	mladá Boleslav 1, tř. Václava Klementa 869, postcode 293 60
150	Taidana Limited	HE 272531	Limassol, Gríva Digení 115, Trídent Centre, postcode 3101, Cyprus
151	TEC Varna EAD	103551629	Varna, Village of Ezerovo, Varna District, postcode 9168, Bulgaria
152	Telco Pro Services, a. s.	29148278	Praha 4, Duhová 1531/3, Michle, postcode 140 00
153	Teplelné hospodářství města Ústí nad Labem s.r.o.	49101684	Ústí nad Labem, Malátova 2437/11, Ústí nad Labem-centrum, postcode 400 11
154	Tepló Klášterec s.r.o.	22801600	Klášterec nad Ohří, Jana Amose Komenského 450, Mifetice u Klášterce nad Ohří, postcode 431 51
155	THERMAL-F, a.s.	25401726	Karlovy Vary, I. P. Pavlova 2001/11, postcode 360 01
156	TMK Hydroenergy Power S.R.L.	27189093	Reșița, 4B Primaverii St., 1st floor, Caras-Severin County, postcode 320012, Romania
157	Tomis Team S.A.	18874690	București, 2B Ion Ionescu de la Brad Street, 2nd floor, room 2, Sector 1, postcode 013813, Romania
158	ÚJV Řež, a. s.	46356088	Husinec, Hlavní 130, Rež, postcode 250 68
159	Ústav aplikované mechaniky Brno, s.r.o.	60715871	Brno, Resselova 972/3, Veveří, postcode 602 00
160	VIPAP Vertriebs und Handels GmbH	333645f	Ternitz, Josef Huber Straße 6, postcode 2620, Austria
161	VIPAP VIDEM KRŠKO d.d.	5971101	Krško, 18 Tovarniška ulica, postcode 8270, Slovenia
162	Výzkumný a zkušební letecký ústav, a.s.	00010669	Praha, Beranových 130, Letňany, postcode 199 05
163	Výzkumný a zkušební ústav Plzeň s.r.o.	47718684	Plzeň, Tylova 1581/46, Jižní Předměstí, postcode 301 00
164	VZLU TECHNOLOGIES, a.s.	29146241	Praha 9, Beranových 130, Letňany, postcode 199 00
165	VZLU TEST, a.s.	04521820	Praha 9, Beranových 130, Letňany, postcode 199 00
166	Whitelines Industries a.s.	27105733	Praha 6, Jana Kařpara 1069/1, Ruzyně, postcode 160 08
167	Windpark Baben Erweiterung GmbH & Co. KG	HRA 25725	Bremen, Stephanitorsbollwerk 3, postcode 28217, Germany
168	Windpark Badow GmbH & Co. KG	HRA 24600	Bremen, Stephanitorsbollwerk 3, postcode 28217, Germany
169	Windpark Cheinitz-Zethlingen GmbH & Co. KG	HRA 26116	Bremen, Stephanitorsbollwerk 3, postcode 28217, Germany
170	Windpark Fohren-Linden GmbH & Co. KG	HRA 23953	Düsseldorf, Kaistraße 2, postcode 40221, Germany
171	Windpark Frauenmark III GmbH & Co. KG	HRA 26112	Bremen, Stephanitorsbollwerk 3, postcode 28217, Germany
172			

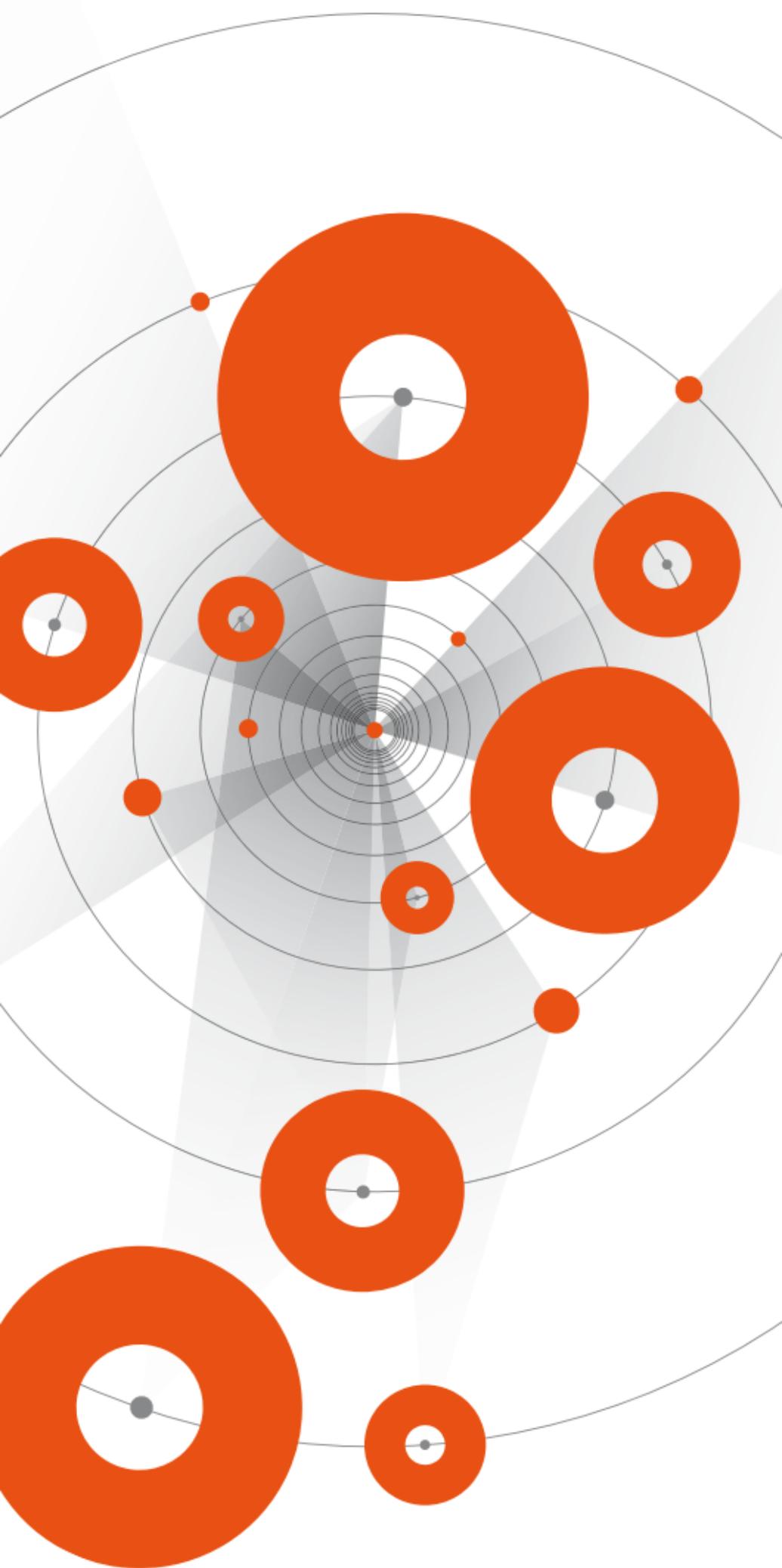
When you face the challenge of presenting your work and being able to use just a small fraction of information about what you do, you are likely to choose just the best and most salient points. But, how do you define them? CEZ Group companies offer a huge amount of products and services appealing to many kinds of customers. And because every customer is most interested in what they chose and are happily using themselves, we decided to present a cross section of CEZ Group's activities to you and make it as diverse as possible.

With an active approach to development and technical innovation, even companies that started as small and specialized businesses can become leaders in their industry. To find out how they manage to do that, have a look at our next annual report.





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Information for Shareholders and Investors

Financial Calendar	Date
CEZ Group 2016 Annual Report—electronic version in Czech and English	April 19, 2017
CEZ Group 2016 Annual Report—printed version in Czech	April 19, 2017
CEZ Group 2016 Annual Report—printed version in English	May 2, 2017
Announcement of Q1 2017 financial results of CEZ Group and ČEZ, a. s.	May 11, 2017
Announcement of H1 2017 financial results of CEZ Group and ČEZ, a. s.	August 8, 2017
CEZ Group 2017 Half-Year Report	August 31, 2017
Announcement of Q1–Q3 2017 financial results of CEZ Group and ČEZ, a. s.	November 7, 2017