CEZ GROUP

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2016

in CZK Millions

	Note	June 30, 2016	December 31, 2015
Assets			
Property, plant and equipment:			
Plant in service		724,326	719,633
Less accumulated depreciation and impairment		(412,800)	(399,608)
Net plant in service		311,526	320,025
Nuclear fuel, at amortized cost		13,213	12,997
Construction work in progress		93,237	88,342
Total property, plant and equipment		417,976	421,364
Other non-current assets:			
Investment in joint-ventures		9,255	9,239
Restricted financial assets		19,018	18,059
Investments and other financial assets, net		29,559	22,598
Intangible assets, net		20,139	20,164
Deferred tax assets		1,173	1,631
Total other non-current assets		79,144	71,691
Total non-current assets		497,120	493,055
Current assets:			
Cash and cash equivalents		21,996	13,482
Receivables, net		44,845	46,003
Income tax receivable		2,723	436
Materials and supplies, net		8,701	8,577
Fossil fuel stocks		781	1,554
Emission rights		1,883	3,456
Other financial assets, net		29,702	32,728
Other current assets		3,309	3,395
Total current assets		113,940	109,631
Total assets		611,060	602,686

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2016

continued

	Note	June 30, 2016	December 31, 2015
Equity and liabilities			
Equity:			
Equity attributable to equity holders of the parent:			
Stated capital		53,799	53,799
Treasury shares		(4,246)	(4,246)
Retained earnings and other reserves		210,420	218,340
Total equity attributable to equity holders of the parent		259,973	267,893
Non-controlling interests		4,445	4,262
Total equity		264,418	272,155
Long-term liabilities:			
Long-term debt, net of current portion	6	154,167	145,575
Provisions		60,617	60,525
Deferred tax liabilities		24,383	22,053
Other long-term liabilities		8,591	8,679
Total long-term liabilities		247,758	236,832
Current liabilities:			
Short-term loans	7	4,848	223
Current portion of long-term debt	6	2,948	11,696
Trade and other payables		73,781	58,010
Income tax payable		199	1,606
Provisions		5,614	8,219
Accrued liabilities		11,494	13,945
Total current liabilities		98,884	93,699
Total equity and liabilities		611,060	602,686

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016

in CZK Millions

	Note	1-6/2016	1-6/2015 *	4-6/2016	4-6/2015 *
Sales of electricity and related services		84,654	90,458	41,662	44,220
Sales of gas, coal, heat and other revenues		13,515	12,122	5,120	4,625
Other operating income		734	1,944	238	1,483
Total revenues and other operating income		98,903	104,524	47,020	50,328
Gains and losses from commodity derivative trading, net		683	(913)	(794)	45
Fuel		(6,371)	(6,364)	(2,816)	(2,665)
Purchased power and related services		(42,627)	(44,397)	(21,191)	(22,347)
Repairs and maintenance		(1,617)	(1,577)	(1,012)	(900)
Depreciation and amortization		(14,161)	(14,298)	(7,092)	(7,104)
Impairment of property, plant and equipment and intangible assets including goodwill	8	(973)	(21)	(971)	(83)
Salaries and wages		(8,946)	(8,643)	(4,588)	(4,399)
Materials and supplies		(2,067)	(1,916)	(1,107)	(1,008)
Emission rights, net		546	243	359	202
Other operating expenses		(5,372)	(5,338)	(2,777)	(2,796)
Income before other income (expenses) and income taxes		17,998	21,300	5,031	9,273
Interest on debt, net of capitalized interest		(1,117)	(1,608)	(560)	(795)
Interest on provisions		(746)	(843)	(373)	(421)
Interest income		171	226	95	116
Foreign exchange rate gains (losses), net		(681)	(562)	(729)	(169)
Other financial expenses		(317)	(338)	74	(238)
Other financial income		1,762	1,955	1,673	1,778
Share of profit (loss) from joint-ventures		27	(956)	(305)	54
Total other income (expenses)		(901)	(2,126)	(125)	325
Income before income taxes		17,097	19,174	4,906	9,598
Income taxes		(3,300)	(3,760)	(1,065)	(1,747)
Net income		13,797	15,414	3,841	7,851
Net income attributable to:					
Equity holders of the parent		13,629	15,375	3,753	7,860
Non-controlling interests		168	39	88	(9)
Net income per share attributable to equity holders of the parent (CZK per share)					
Basic		25.5	28.8	7.0	14.7
Diluted		25.5	28.8	7.0	14.7

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

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016

in CZK Millions

	Note	1-6/2016	1-6/2015 *	4-6/2016	4-6/2015 *
Net income		13,797	15,414	3,841	7,851
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		(1,288)	5,914	(2,924)	1,297
Cash flow hedges reclassified to statement of income		(264)	(1,611)	(859)	1,529
Change in fair value of available-for-sale financial assets recognized in equity		1,447	1,149	(244)	20
Available-for-sale financial assets reclassified from equity		(1)	(16)	-	(16)
Translation differences - subsidiaries		(266)	(480)	(398)	(915)
Translation differences - joint-ventures		(16)	(739)	37	(720)
Translation differences reclassified from equity		(102)	(1)	(35)	-
Share on other equity movements of joint-ventures		25	(17)	5	7
Deferred tax related to other comprehensive income	9	287	(660)	728	(318)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(178)	3,539	(3,690)	884
Total comprehensive income, net of tax		13,619	18,953	151	8,735
Total comprehensive income attributable to:					
Equity holders of the parent		13,438	18,983	52	8,788
Non-controlling interests		181	(30)	99	(53)

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CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016

in CZK Millions

	Note	Attributable to equity holders of the parent								
		Stated capital	Treasury shares	Transla-tion difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2014		53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851
Net income		-	-	-	-	-	15,375	15,375	39	15,414
Other comprehensive income		-	-	(1,150)	3,485	1,290	(17)	3,608	(69)	3,539
Total comprehensive income		-	-	(1,150)	3,485	1,290	15,358	18,983	(30)	18,953
Dividends		-	-	-	-	-	(21,370)	(21,370)	(4)	(21,374)
Sale of treasury shares		-	136	-	-	-	(68)	68	-	68
Share options		-	-	-	-	16	-	16	-	16
Transfer of exercised and forfeited share options within equity		-	-	-	-	(44)	44	-	-	-
Acquisition of non-controlling interests		-	-	19	-	-	(166)	(147)	(145)	(292)
Put options held by non-controlling interest		-	-	-	-	-	143	143	149	292
June 30, 2015		53,799	(4,246)	(8,481)	(4,487)	3,111	219,305	259,001	4,513	263,514

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016

continued

	Note	Attributable to equity holders of the parent								
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2015		53,799	(4,246)	(9,500)	(86)	3,242	224,684	267,893	4,262	272,155
Net income		-	-	-	-	-	13,629	13,629	168	13,797
Other comprehensive income		-	-	(397)	(1,257)	1,438	25	(191)	13	(178)
Total comprehensive income		-	-	(397)	(1,257)	1,438	13,654	13,438	181	13,619
Dividends	5	-	-	-	-	-	(21,369)	(21,369)	(8)	(21,377)
Share options		-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity		-	-	-	-	(21)	21	-	-	-
Acquisition of subsidiaries	4	-	-	-	-	-	-	-	9	9
Put options held by non-controlling interest		-	-	-	-	-	(1)	(1)	1	-
June 30, 2016		53,799	(4,246)	(9,897)	(1,343)	4,671	216,989	259,973	4,445	264,418

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

in CZK Millions

	Note	1-6/2016	1-6/2015 *
Operating activities:			
Income before income taxes		17,097	19,174
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization		14,161	14,298
Amortization of nuclear fuel		1,887	1,822
Gain on non-current asset retirements, net		(50)	(288)
Foreign exchange rate losses (gains), net		681	562
Interest expense, interest income and dividend income, net		345	705
Provisions		(2,673)	(4,690)
Impairment of property, plant and equipment and intangible assets including goodwill	8	973	21
Valuation allowances and other adjustments		(559)	(477)
Share of (profit) loss from joint-ventures		(27)	956
Changes in assets and liabilities:			
Receivables		1,217	5,650
Materials, supplies and fossil fuel stocks		590	674
Receivables and payables from derivatives		875	2,504
Other current assets		2,964	1,989
Trade and other payables		(5,560)	(5,689)
Accrued liabilities		(1,652)	(3,949)
Cash generated from operations		30,269	33,262
Income taxes paid		(3,873)	(3,146)
Interest paid, net of capitalized interest		(1,227)	(2,009)
Interest received		147	232
Dividends received		577	337
Net cash provided by operating activities		25,893	28,676
Investing activities:			
Acquisition of subsidiaries and joint-ventures, net of cash acquired	4	(42)	-
Disposal of subsidiaries and joint-ventures, net of cash disposed of		177	310
Additions to non-current assets, including capitalized interest		(19,501)	(15,246)
Proceeds from sale of non-current assets		173	267
Loans made		(3)	(30)
Repayment of loans		160	60
Change in restricted financial assets		(912)	(562)
Total cash used in investing activities		(19,948)	(15,201)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

continued

	Note	1-6/2016	1-6/2015 *
Financing activities:			
Proceeds from borrowings		27,908	45,507
Payments of borrowings		(24,701)	(58,731)
Proceeds from other long-term liabilities		30	42
Payments of other long-term liabilities		(648)	(79)
Dividends paid to Company's shareholders		(48)	(44)
Dividends paid to non-controlling interests		(7)	(4)
Sale of treasury shares		-	68
Total cash provided by (used in) financing activities		2,534	(13,241)
Net effect of currency translation in cash		35	(308)
Net increase (decrease) in cash and cash equivalents		8,514	(74)
Cash and cash equivalents at beginning of period		13,482	20,095
Cash and cash equivalents at end of period		21,996	20,021

Supplementary cash flow information

Total cash paid for interest		3,563	4,482

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

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

CEZ GROUP
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech joint-stock company, owned 69.8% (70.3% of voting rights) at June 30, 2016 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas and coal mining.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2015.

2.2. Changes in Accounting Policies

a. Adoption of New IFRS Standards in 2016

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2016:

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

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

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

The amendments clarify:

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

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

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

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

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

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

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

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

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

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

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

b. Changes in the Presentation of the Financial Statements

The way of presentation of the financial statements was changed In the consolidated financial statements as of December 31, 2015. The main goal of the changes was to enhance relevancy of information contained on the face of the financial statements and reflect the developments in the best practice of financial reporting in the industry with regard to all IFRS requirements. As a result, reclassifications for the prior period have been made to provide fully comparative information on the same basis. The following table summarizes the effect of reclassifications on prior period presented (in CZK millions):

	Reclassifications 1-6/2015
Consolidated statement of income:	
Gains and losses from electricity, coal and gas derivative trading, net [1)]	934
Sales of gas, coal, heat and other revenues	(1,249)
Other operating income	1,944
Total revenues and other operating income	1,629
Gains and losses from commodity derivative trading, net [1)]	(913)
Purchased power and related services	100
Emission rights, net	4
Other operating expenses	(820)
Income before other income (expenses) and income taxes	-
Other income (expenses), net	(1,617)
Other financial expenses	(338)
Other financial income	1,955
Total other income (expenses)	-
Net income	-
EBITDA	-
Consolidated statement of comprehensive income:	
Translation differences	1,219
Translation differences - subsidiaries	(480)
Translation differences - joint-ventures	(739)
Other comprehensive income, net of tax	-
Total comprehensive income, net of tax	-
Consolidated statement of cash flows:	
Net cash provided by operating activities	33
Total cash used in financing activities	(33)
Net increase in cash and cash equivalents	-

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

3. Seasonality of Operations

The seasonality within the segments Generation - Traditional Energy, Generation - New Energy, Distribution and Sales usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

4. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in the first six months of 2016

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

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

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

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

	ENESA	ČEZ Solární	Energie2 Prodej
Share of the Group	75%	100%	100%
Property, plant and equipment	14	4	-
Intangible assets, net	-	-	86
Deferred tax assets	-	2	-
Materials and supplies, net	29	17	-
Receivables, net	27	7	123
Cash and cash equivalents	5	10	13
Long-term debt, net of current portion	-	(1)	-
Current portion of long-term debt	-	(1)	-
Other long-term liabilities	-	-	(87)
Trade and other payables	(39)	(2)	(91)
Accrued liabilities	-	(3)	(1)
Total net assets	36	33	43
Share of net assets acquired	27	33	43
Goodwill	6	3	-
Negative goodwill	-	-	(24)
Total purchase consideration	33	36	19
Less:			
Cash and cash equivalents in the subsidiary acquired	(5)	(10)	(13)
Interest acquired in previous periods	(18)	-	-
Cash outflow on acquisition of the subsidiary	10	26	6

If the combinations had taken place at the beginning of the year 2016, net income for CEZ Group as of June 30, 2016 would have been CZK 13,824 million and the revenues and other operating income from continuing operations would have been CZK 98,982 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

5. Equity

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

6. Long-term Debt

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

	June 30, 2016	December 31, 2015
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,845	2,466
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,898	1,645
5.000% Eurobonds, due 2021 (EUR 750 million)	20,288	20,203
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,352	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 milion)	5,407	-
4.875% Eurobonds, due 2025 (EUR 750 million)	20,270	20,188
4.500% Eurobonds, due 2020 (EUR 750 million)	20,233	20,140
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,735	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)]	2,713	2,702
4.102% Eurobonds, due 2021 (EUR 50 million)	1,353	1,347
4.250% U.S. bonds, due 2022 (USD 289 million)	7,003	7,111
5.625% U.S. bonds, due 2042 (USD 300 million)	7,254	7,368
4.375% Eurobonds, due 2042 (EUR 50 million)	1,331	1,325
4.500% Eurobonds, due 2047 (EUR 50 million)	1,331	1,325
4.383% Eurobonds, due 2047 (EUR 80 million)	2,170	2,162
3.000% Eurobonds, due 2028 (EUR 500 million)	13,384	13,325
4.500% registered bonds, due 2030 (EUR 40 million)	1,064	1,060
4.750% registered bonds, due 2023 (EUR 40 million)	1,075	1,070
4.700% registered bonds, due 2032 (EUR 40 million)	1,079	1,075
4.270% registered bonds, due 2047 (EUR 61 million)	1,628	1,621
3.550% registered bonds, due 2038 (EUR 30 million)	810	807
Exchangeable bonds, due 2017 (EUR 470.2 million) [2)]	12,550	12,420
Total bonds and debentures	132,228	134,701
Less: Current portion	-	(9,176)
Bonds and debentures, net of current portion	132,228	125,525
Long-term bank and other loans:		
Total long-term bank and other loans	24,887	22,570
Less: Current portion	(2,948)	(2,520)
Long-term bank and other loans, net of current portion	21,939	20,050
Total long-term debt	157,115	157,271
Less: Current portion	(2,948)	(11,696)
Total long-term debt, net of current portion	154,167	145,575

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

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

7. Short-term Loans

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

	June 30, 2016	December 31, 2015
Short-term bank loans	4,557	40
Bank overdrafts	291	183
Total	4,848	223

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

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

The Group recognized for first six months ended June 30, 2016 the total amount of impairment loss of CZK 997 million. The line item Impairment of property, plant and equipment and intangible assets including goodwill also includes gain from write-off of negative goodwill resulting from the acquisition of the company Energie2 Prodej, s.r.o. (see also Note 4) amounting to CZK 24 million.

The impairment loss in the amount of CZK 997 million is related to impairment of property, plant and equipment of cash-generating unit Romanian wind power farms. The impairment was caused especially by decrease in expected wholesale prices of electricity.

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

9. Income Taxes

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

	1-6/2016			1-6/2015		
	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	(1,288)	244	(1,044)	5,914	(1,124)	4,790
Cash flow hedges reclassified to statement of income	(264)	51	(213)	(1,611)	306	(1,305)
Change in fair value of available-for-sale financial assets recognized in equity	1,447	(8)	1,439	1,149	154	1,303
Available-for-sale financial assets reclassified from equity	(1)	-	(1)	(16)	4	(12)
Translation differences - subsidiaries	(266)	-	(266)	(480)	-	(480)
Translation differences - joint-ventures	(16)	-	(16)	(739)	-	(739)
Translation differences reclassified from equity	(102)	-	(102)	(1)	-	(1)
Share on other equity movements of joint-ventures	25	-	25	(17)	-	(17)
Total	(465)	287	(178)	4,199	(660)	3,539

10. Segment Information

The Group reports its result based on operating segments which are defined especially with respect to the nature of the products and services and with regard to regulatory environment. The Group has identified six reportable segments on this basis:

- Generation - Traditional Energy
- Generation - New Energy
- Distribution
- Sales
- Mining
- Other

This definition of the operating segments is a result of organizational changes in corporate governance of the Group which have been made effective since January 1, 2016. The segments are defined across the countries that CEZ Group operates in now. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain in the energy sector and is within the purview of individual members of the ČEZ, a. s. Board of Directors. The segment information for previous periods of the year 2015 has been adjusted to provide fully comparative information on the same basis.

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

The Group evaluates the performance of its segments based on earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	1-6/2016	1-6/2015
Income before other income (expenses) and income taxes (EBIT)	17,998	21,300
Depreciation and amortization	14,161	14,298
Impairment of property, plant and equipment and intangible assets including goodwill	973	21
Gains and losses on sale of property, plant and equipment, net *	(34)	(95)
EBITDA	33,098	35,524

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

The following tables summarize segment information by operating segments for the six months ended June 30, 2016 and 2015 and at December 31, 2015 (in CZK millions):

June 30, 2016:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Revenues and other operating income - other than intersegment	25,578	1,790	14,500	53,729	2,170	1,136	98,903	-	98,903
Revenues and other operating income - intersegment	15,915	344	15,041	2,732	2,389	8,230	44,651	(44,651)	-
Total revenues and other operating income	41,493	2,134	29,541	56,461	4,559	9,366	143,554	(44,651)	98,903
EBITDA	14,787	1,858	9,997	3,207	2,008	1,238	33,095	3	33,098
Depreciation and amortization	(8,312)	(747)	(2,972)	(21)	(1,228)	(881)	(14,161)	-	(14,161)
Impairment of property, plant and equipment and intangible assets including goodwill	1	(996)	(8)	24	1	5	(973)	-	(973)
EBIT	6,460	115	7,027	3,210	783	400	17,995	3	17,998
Interest on debt and provisions	(1,622)	(172)	(189)	(6)	(94)	(176)	(2,259)	396	(1,863)
Interest income	460	-	23	7	5	72	567	(396)	171
Share of profit (loss) from joint-ventures	(11)	20	27	94	2	(105)	27	-	27
Income taxes	(1,061)	(134)	(1,296)	(561)	(135)	(113)	(3,300)	-	(3,300)
Net income	18,015	(61)	5,590	2,742	1,402	855	28,543	(14,746)	13,797
Identifiable assets	254,172	26,534	107,487	493	20,894	9,516	419,096	(1,120)	417,976
Investment in joint-ventures	2,833	547	1,097	257	172	4,349	9,255	-	9,255
Unallocated assets									183,829
Total assets									611,060
Capital expenditure	7,736	(1)	4,379	15	634	3,876	16,639	(3,371)	13,268

June 30, 2015:	Generation - Traditional Energy	Generation - New Energy	Distribution	Sales	Mining	Other	Combined	Elimination	Consolidated
Revenues and other operating income - other than intersegment	27,009	1,811	15,258	57,604	2,096	746	104,524	-	104,524
Revenues and other operating income - intersegment	18,632	449	15,746	3,288	2,461	8,771	49,347	(49,347)	-
Total revenues and other operating income	45,641	2,260	31,004	60,892	4,557	9,517	153,871	(49,347)	104,524
EBITDA	17,370	1,373	9,827	3,695	2,013	1,245	35,523	1	35,524
Depreciation and amortization	(8,317)	(854)	(2,924)	(16)	(1,211)	(976)	(14,298)	-	(14,298)
Impairment of property, plant and equipment and intangible assets including goodwill	-	-	(9)	-	-	(12)	(21)	-	(21)
EBIT	9,049	520	6,909	3,679	803	339	21,299	1	21,300
Interest on debt and provisions	(2,248)	(275)	(149)	(1)	(101)	(150)	(2,924)	473	(2,451)
Interest income	511	1	25	5	7	150	699	(473)	226
Share of profit (loss) from joint-ventures	(654)	25	88	142	3	(560)	(956)	-	(956)
Income taxes	(1,557)	(15)	(1,264)	(713)	(143)	(68)	(3,760)	-	(3,760)
Net income	25,526	255	5,607	3,106	1,128	568	36,190	(20,776)	15,414
Capital expenditure	7,673	38	4,183	13	670	4,325	16,902	(3,493)	13,409

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

11. Events after the Balance Sheet Date

On July 27, 2016 the Group issued zero coupon bonds due in October 2016 in the total nominal amount of EUR 130 million. The issue price represented 99.9977% of the nominal amount.