



FINANCIAL STATEMENTS OF ČEZ, a. s. AS OF DECEMBER 31, 2015

Pursuant to Section 19a of the Accounting Act, the financial statements of ČEZ, a. s. as of December 31, 2015 were compiled in accordance with International Financial Reporting Standards. The balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements have all been drawn up.

In accordance with the respective provision of the Accounting Act, the financial statements were verified by an independent auditor. The audit was performed by Ernst & Young Audit, s.r.o.

According to the auditor's opinion as of April 18, 2016, the financial statements give a true and fair view of the financial position of ČEZ, a. s. as of December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's opinion, it is proposed that the General Meeting approve the financial statements of ČEZ, a. s. for 2015.

The full version of the financial statements is part of the annual report, which is available at the General Meeting of shareholders and on the Company's website. Values from the financial statements, i.e. the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, are also included in this material.

ČEZ, a. s.

BALANCE SHEET

AS OF DECEMBER 31, 2015

in CZK Millions

	2015	2014
Assets		
Property, plant and equipment:		
Plant in service	346,203	344,246
Less accumulated depreciation and impairment	(204,187)	(196,333)
Net plant in service	142,016	147,913
Nuclear fuel, at amortized cost	12,832	10,898
Construction work in progress, net	85,909	81,913
Total property, plant and equipment	240,757	240,724
Other non-current assets:		
Restricted financial assets	12,662	12,029
Investments and other financial assets, net	178,692	176,359
Intangible assets, net	560	668
Total other non-current assets	191,914	189,056
Total non-current assets	432,671	429,780
Current assets:		
Cash and cash equivalents	2,964	9,511
Receivables, net	41,538	46,757
Income tax receivable	-	1,404
Materials and supplies, net	5,134	5,519
Fossil fuel stocks	564	561
Emission rights	1,874	4,175
Other financial assets, net	32,489	38,359
Other current assets	1,146	1,117
Total current assets	85,709	107,403
Total assets	518,380	537,183

ČEZ, a. s.

BALANCE SHEET

AS OF DECEMBER 31, 2015

continued

	2015	2014
Equity and liabilities		
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,246)	(4,382)
Retained earnings and other reserves	171,016	156,715
Total equity	220,569	206,132
Non-current liabilities:		
Long-term debt, net of current portion	124,922	143,316
Provisions	49,716	47,406
Deferred tax liability	11,143	9,624
Other long-term liabilities	3,886	7,602
Total non-current liabilities	189,667	207,948
Current liabilities:		
Short-term loans	10	7,433
Current portion of long-term debt	10,628	15,092
Trade and other payables	87,114	84,415
Income tax payable	165	-
Provisions	4,195	6,420
Accrued liabilities	6,032	9,743
Total current liabilities	108,144	123,103
Total equity and liabilities	518,380	537,183

ČEZ, a. s.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	2015	2014
Sales of electricity	72,635	72,132
Sales of gas, heat and other revenues	9,088	8,881
Other operating income	1,597	4,020
Total revenues and other operating income	83,320	85,033
Gains and losses from commodity derivative trading, net	(504)	2,692
Fuel	(10,599)	(10,175)
Purchased power and related services	(31,314)	(25,934)
Repairs and maintenance	(2,433)	(2,979)
Depreciation and amortization	(14,708)	(13,527)
Impairment of property, plant and equipment and intangible assets	(788)	(297)
Salaries and wages	(5,191)	(6,087)
Materials and supplies	(1,354)	(1,400)
Emission rights, net	(964)	(3,090)
Other operating expenses	(7,054)	(8,409)
Income before other income (expenses) and income taxes	8,411	15,827
Interest on debt, net of capitalized interest	(2,857)	(3,722)
Interest on provisions	(1,452)	(1,574)
Interest income	1,086	1,442
Foreign exchange rate gains (losses), net	(474)	(192)
Gain on sale of subsidiaries, associates and joint-ventures	-	24
Other financial expenses	(5,438)	(10,058)
Other financial income	29,908	20,941
Total other income (expenses)	20,773	6,861
Income before income taxes	29,184	22,688
Income taxes	(1,069)	(1,778)
Net income	28,115	20,910
Net income per share (CZK per share)		
Basic	52.6	39.1
Diluted	52.6	39.1

ČEZ, a. s.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	2015	2014
Net income	28,115	20,910
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	11,922	4,889
Cash flow hedges reclassified to income statement	(1,954)	(3,950)
Cash flow hedges reclassified to assets	(230)	(95)
Change in fair value of available-for-sale financial assets recognized in equity	(429)	711
Deferred tax related to other comprehensive income	(1,769)	(295)
Other comprehensive income, net of tax	7,540	1,260
Total comprehensive income	35,655	22,170

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

In CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
December 31, 2013	53,799	(4,382)	(8,692)	772	163,746	205,243
Net income	-	-	-	-	20,910	20,910
Other comprehensive income	-	-	684	576	-	1,260
Total comprehensive income	-	-	684	576	20,910	22,170
Effect of merger	-	-	-	-	(6)	(6)
Dividends	-	-	-	-	(21,301)	(21,301)
Share options	-	-	-	26	-	26
Transfer of forfeited share options within equity	-	-	-	(70)	70	-
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

ČEZ, a. s.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

In CZK Millions

	2015	2014
Operating activities:		
Income before income taxes	29,184	22,688
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	14,708	13,527
Amortization of nuclear fuel	3,392	3,349
Gain on non-current asset retirements, net	(298)	(116)
Foreign exchange rate losses (gains), net	474	192
Interest expense, interest income and dividend income, net	(23,328)	(18,417)
Provisions	(2,711)	311
Impairment of property, plant and equipment and intangible assets	788	297
Other impairment and other adjustments	5,097	6,104
Changes in assets and liabilities:		
Receivables	5,168	(1,469)
Materials, supplies and fossil fuel stocks	364	(955)
Receivables and payables from derivatives	5,675	4,968
Other current assets	5,863	2,799
Trade and other payables	(1,867)	3,817
Accrued liabilities	(3,104)	1,320
Cash generated from operations	39,405	38,415
Income taxes received (paid)	251	(1,791)
Interest paid, net of capitalized interest	(2,888)	(3,901)
Interest received	1,068	1,384
Dividends received	21,600	20,701
Net cash provided by operating activities	59,436	54,808
Investing activities:		
Acquisition of subsidiaries, associates and joint-ventures and refunds	49	(1,103)
Proceeds from disposal of subsidiaries, associates and joint-ventures	318	102
Additions to non-current assets, including capitalized interest	(17,287)	(22,096)
Proceeds from sale of non-current assets	70	52
Loans made	(8,123)	(1,503)
Repayment of loans	6,838	13,032
Change in restricted financial assets	(583)	(632)
Total cash used in investing activities	(18,718)	(12,148)

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR
ENDED DECEMBER 31, 2015

continued

	2015	2014
Financing activities:		
Proceeds from borrowings	60,734	66,610
Payments of borrowings	(90,833)	(95,107)
Proceeds from other long-term liabilities	179	-
Change in payables/receivables from group cashpooling	4,091	2,544
Dividends paid	(21,309)	(21,320)
Sale of treasury shares	68	-
Net cash used in financing activities	(47,070)	(47,273)
Net effect of currency translation in cash	(195)	(42)
Net decrease in cash and cash equivalents	(6,547)	(4,655)
Cash and cash equivalents at beginning of period	9,511	14,166
Cash and cash equivalents at end of period	2,964	9,511
Supplementary cash flow information		
Total cash paid for interest	6,791	8,310

CONSOLIDATED FINANCIAL STATEMENTS OF CEZ GROUP AS OF DECEMBER 31, 2015

Pursuant to Section 23a of the Accounting Act, the consolidated financial statements of CEZ Group as of December 31, 2015 were compiled in accordance with International Financial Reporting Standards. The compiled consolidated financial statements comprise the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements.

In accordance with the respective provision of the Accounting Act, the consolidated financial statements were verified by an independent auditor. The audit was performed by Ernst & Young Audit, s.r.o.

According to the auditor's opinion as of April 18, 2016, the consolidated financial statements give a true and fair view of the financial position of CEZ Group as of December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's opinion, it is proposed that the General Meeting approve the consolidated financial statements of CEZ Group for 2015.

The full version of the consolidated financial statements is part of the annual report, which is available at the General Meeting of shareholders and on the Company's website. Values from the consolidated financial statements, i.e. the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, are also included in this material.

CEZ GROUP

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2015

in CZK Millions

	2015	2014
Assets		
Property, plant and equipment:		
Plant in service	719,633	701,316
Less accumulated depreciation and impairment	(399,608)	(371,515)
Net plant in service	320,025	329,801
Nuclear fuel, at amortized cost	12,997	10,953
Construction work in progress, net	88,342	85,788
Total property, plant and equipment	421,364	426,542
Other non-current assets:		
Investment in joint-ventures	9,239	12,277
Restricted financial assets	18,059	17,471
Investments and other financial assets, net	22,598	18,877
Intangible assets, net	20,164	20,611
Deferred tax assets	1,631	1,738
Total other non-current assets	71,691	70,974
Total non-current assets	493,055	497,516
Current assets:		
Cash and cash equivalents	13,482	20,095
Receivables, net	46,003	50,864
Income tax receivable	436	1,618
Materials and supplies, net	8,577	8,462
Fossil fuel stocks	1,554	1,481
Emission rights	3,456	5,097
Other financial assets, net	32,728	39,438
Other current assets	3,395	3,299
Total current assets	109,631	130,354
Total assets	602,686	627,870

CEZ GROUP

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2015

continued

	2015	2014
Equity and liabilities		
Equity:		
Equity attributable to equity holders of the parent:		
Stated capital	53,799	53,799
Treasury shares	(4,246)	(4,382)
Retained earnings and other reserves	218,340	211,891
Total equity attributable to equity holders of the parent	267,893	261,308
Non-controlling interests	4,262	4,543
Total equity	272,155	265,851
Non-current liabilities:		
Long-term debt, net of current portion	145,575	160,852
Provisions	60,525	57,303
Deferred tax liability	22,053	20,609
Other long-term liabilities	8,679	13,425
Total non-current liabilities	236,832	252,189
Current liabilities:		
Short-term loans	223	7,608
Current portion of long-term debt	11,696	15,674
Trade and other payables	58,010	60,126
Income tax payable	1,606	830
Provisions	8,219	9,758
Accrued liabilities	13,945	15,834
Total current liabilities	93,699	109,830
Total equity and liabilities	602,686	627,870

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	2015	2014
Sales of electricity and related services	182,105	173,819
Sales of gas, coal, heat and other revenues	24,569	21,626
Other operating income	3,493	6,306
Total revenues and other operating income	210,167	201,751
Gains and losses from commodity derivative trading, net	(540)	2,861
Fuel	(13,053)	(12,686)
Purchased power and related services	(90,905)	(75,777)
Repairs and maintenance	(4,619)	(4,991)
Depreciation and amortization	(28,619)	(27,705)
Impairment of property, plant and equipment and intangible assets including goodwill	(7,685)	(8,025)
Salaries and wages	(17,758)	(18,852)
Materials and supplies	(4,062)	(4,334)
Emission rights, net	(1,711)	(1,959)
Other operating expenses	(12,254)	(13,337)
Income before other income (expenses) and income taxes	28,961	36,946
Interest on debt, net of capitalized interest	(2,853)	(3,650)
Interest on provisions	(1,681)	(1,834)
Interest income	388	608
Foreign exchange rate gains (losses), net	(811)	(297)
Gain on sale of subsidiaries and joint-ventures	-	73
Other financial expenses	(1,110)	(3,157)
Other financial income	5,656	1,190
Share of profit (loss) from joint-ventures	(1,655)	(1,223)
Total other income (expenses)	(2,066)	(8,290)
Income before income taxes	26,895	28,656
Income taxes	(6,348)	(6,224)
Net income	20,547	22,432
Net income attributable to:		
Equity holders of the parent	20,739	22,403
Non-controlling interests	(192)	29
Net income per share attributable to equity holders of the parent (CZK per share)		
Basic	38.8	41.9
Diluted	38.8	41.9

CEZ GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	2015	2014
Net income	20,547	22,432
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	11,919	4,891
Cash flow hedges reclassified to statement of income	(1,954)	(3,933)
Cash flow hedges reclassified to assets	(230)	(95)
Change in fair value of available-for-sale financial assets recognized in equity	1,440	(865)
Available-for-sale financial assets reclassified from equity	(103)	1,783
Translation differences – subsidiaries	(1,046)	265
Translation differences – joint-ventures	(1,218)	610
Translation differences reclassified from equity	1	14
Share on other equity movements of joint-ventures	(38)	(121)
Deferred tax related to other comprehensive income	(1,761)	(389)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods	7,010	2,160
Other comprehensive income – items not to be reclassified subsequently from equity:		
Re-measurement losses on defined benefit plans	(28)	(26)
Deferred tax related to other comprehensive income	(3)	3
Net other comprehensive income not to be reclassified from equity in subsequent periods	(31)	(23)
Other comprehensive income, net of tax	6,979	2,137
Total comprehensive income, net of tax	27,526	24,569
Total comprehensive income attributable to:		
Equity holders of the parent	27,811	24,498
Non-controlling interests	(285)	71

CEZ GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	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	Retained earnings			
December 31, 2013	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766
Net income	-	-	-	-	-	22,403	22,403	29	22,432
Other comprehensive income	-	-	848	699	692	(144)	2,095	42	2,137
Total comprehensive income	-	-	848	699	692	22,259	24,498	71	24,569
Dividends	-	-	-	-	-	(21,301)	(21,301)	(228)	(21,529)
Share options	-	-	-	-	26	-	26	-	26
Transfer of forfeited share options within equity	-	-	-	-	(70)	70	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	15	15
Acquisition of non-controlling interests	-	-	-	-	-	(2)	(2)	(31)	(33)
Sale of subsidiaries	-	-	-	-	-	-	-	(7)	(7)
Put options held by non-controlling interest	-	-	-	-	-	11	11	33	44
December 31, 2014	53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851

CEZ GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

continued

	Attributable to equity holders of the parent						Non-controlling interests	Total equity	
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings			Total
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	-	-	-	-	31	-	31	-	31
Transfer of exercised and forfeited share options within equity	-	-	-	-	(63)	63	-	-	-
Acquisition of non-controlling interests	-	-	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

CEZ GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

in CZK Millions

	2015	2014
Operating activities:		
Income before income taxes	26,895	28,656
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	28,619	27,705
Amortization of nuclear fuel	3,416	3,356
Gain on non-current asset retirements, net	(562)	(326)
Foreign exchange rate losses (gains), net	811	297
Interest expense, interest income and dividend income, net	1,780	2,240
Provisions	(2,374)	694
Impairment of property, plant and equipment and intangible assets including goodwill	7,685	8,025
Valuation allowances and other adjustments	(1)	(1,882)
Share of (profit) loss from joint-ventures	1,655	1,223
Changes in assets and liabilities:		
Receivables	3,614	2,348
Materials, supplies and fossil fuel stocks	(169)	581
Receivables and payables from derivatives	5,833	4,973
Other current assets	5,469	2,581
Trade and other payables	(2,574)	1,292
Accrued liabilities	(1,450)	(1,195)
Cash generated from operations	78,647	80,568
Income taxes paid	(4,569)	(7,538)
Interest paid, net of capitalized interest	(2,728)	(3,677)
Interest received	416	516
Dividends received	813	806
Net cash provided by operating activities	72,579	70,675
Investing activities:		
Acquisition of subsidiaries and joint-ventures, net of cash acquired	-	(35)
Disposal of subsidiaries and joint-ventures, net of cash disposed of	310	101
Additions to non-current assets, including capitalized interest	(31,909)	(35,798)
Proceeds from sale of non-current assets	435	1,381
Loans made	(29)	(33)
Repayment of loans	123	362
Change in restricted financial assets	(500)	(625)
Total cash used in investing activities	(31,570)	(34,647)

CEZ GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

continued

	2015	2014
Financing activities:		
Proceeds from borrowings	88,301	80,769
Payments of borrowings	(114,363)	(100,076)
Proceeds from other long-term liabilities	63	129
Payments of other long-term liabilities	(130)	(133)
Dividends paid to Company's shareholders	(21,309)	(21,320)
Dividends paid to non-controlling interests	(4)	(229)
Sale of treasury shares	68	-
Acquisition of non-controlling interests	-	(33)
Total cash used in financing activities	(47,374)	(40,893)
Net effect of currency translation in cash	(248)	(43)
Net decrease in cash and cash equivalents	(6,613)	(4,908)
Cash and cash equivalents at beginning of period	20,095	25,003
Cash and cash equivalents at end of period	13,482	20,095
Supplementary cash flow information		
Total cash paid for interest	6,680	8,165

GENERAL MEETING DRAFT RESOLUTION

The General Meeting of ČEZ, a. s.

1. hereby approves the financial statements of ČEZ, a. s. as of December 31, 2015,
2. hereby approves the consolidated financial statements of CEZ Group as of December 31, 2015.

Rationale:

Pursuant to the respective stipulations of the law and the Company's Articles of Association, the Board of Directors hereby presents both sets of financial statements to the General Meeting for approval. Pursuant to the requirements of the Accounting Act, the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group as of December 31, 2015 were prepared in accordance with International Financial Reporting Standards, discussed by the Board of Directors of ČEZ, a. s., audited by an independent auditor giving the opinions cited in this material, and reviewed by the Supervisory Board of the Company, which concluded that it recommends that the General Meeting approve them.