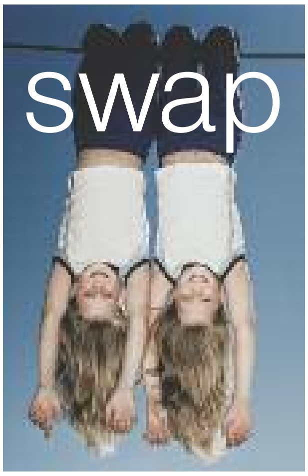
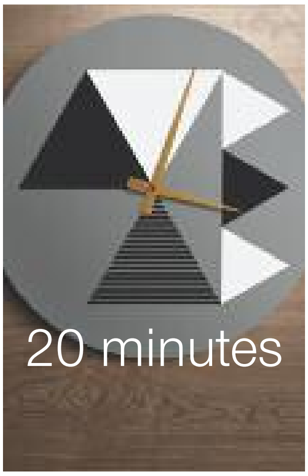
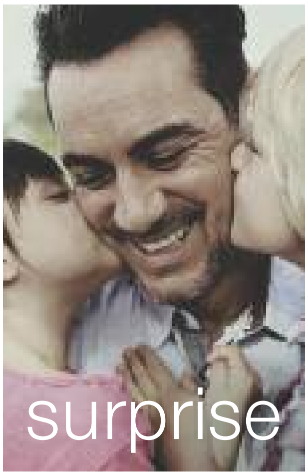
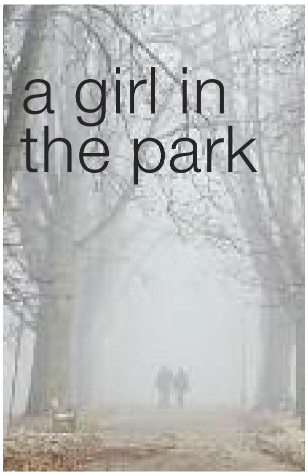




CEZ Group

Annual Report 2014





SEASON 2014

22

years the show has been on

50 %

share of the “population” viewer segment

CZK **72.5** billion

was the show’s EBITDA in 2014

CZK **29.5** billion

was earned by the show in 2014

CZK **315.7** billion

was the show's market value

8.6 %

was the show's return on capital in 2014

35.1 TWh

of electricity was sold by CEZ Group to its customers in 2014

21.3 thousand TJ

of heat was sold by CEZ Group to its customers in 2014

Enjoy your time with CEZ Group.

STARRING
CEZ Group customers

MEDIA PARTNER
Chief Executive Officer’s Division

STORY BY
Sales and Strategy Division

MUSIC
HV/MV/LV lines

CASTING
Administration Division

PRODUCTION DESIGNER
Shareholders

SCRIPT
External Relations and Compliance Division

PRODUCED BY
Finance Division

PRODUCTION
Production Division

FOREIGN LOCATIONS
International Affairs Division

DIRECTED BY
Board of Directors

ASSISTANT DIRECTOR
CEZ Group employees

2014 SEASON

A show featuring real customers and their experience with CEZ Group

Every season is full of interesting events, whether joyful, dramatic, enlightening, completely new, demanding, or routine. The year 2014, summarized in this annual report, was no exception. Energy is all around us: it is a local road traveled by cars, a sidewalk with pedestrians, or a playground with playing children. Everybody's energy is completely unique and it's up to us how we will use it. Energy is infinity; it's actually an endless show that everyone takes part in during their lifetime. Nearly countless people; an incredible number of personal stories; an unimaginable amount of energy that we highly appreciate in you, our customers...

Our show has been running for over twenty-two years. Our 2014 season focuses on real life stories of its protagonists, showing them in even seemingly common situations in which our company plays an important role. This makes the show immensely authentic, as the actors write their own roles for themselves.

The entire project shows that the crew and the producers root for their actors and want to create the conditions that will allow them to give their best performance. The show is definitely not going to end soon. Casting is still open. Anybody can come and take a role in the show—there are no small parts in it...

CEZ Group's Profile

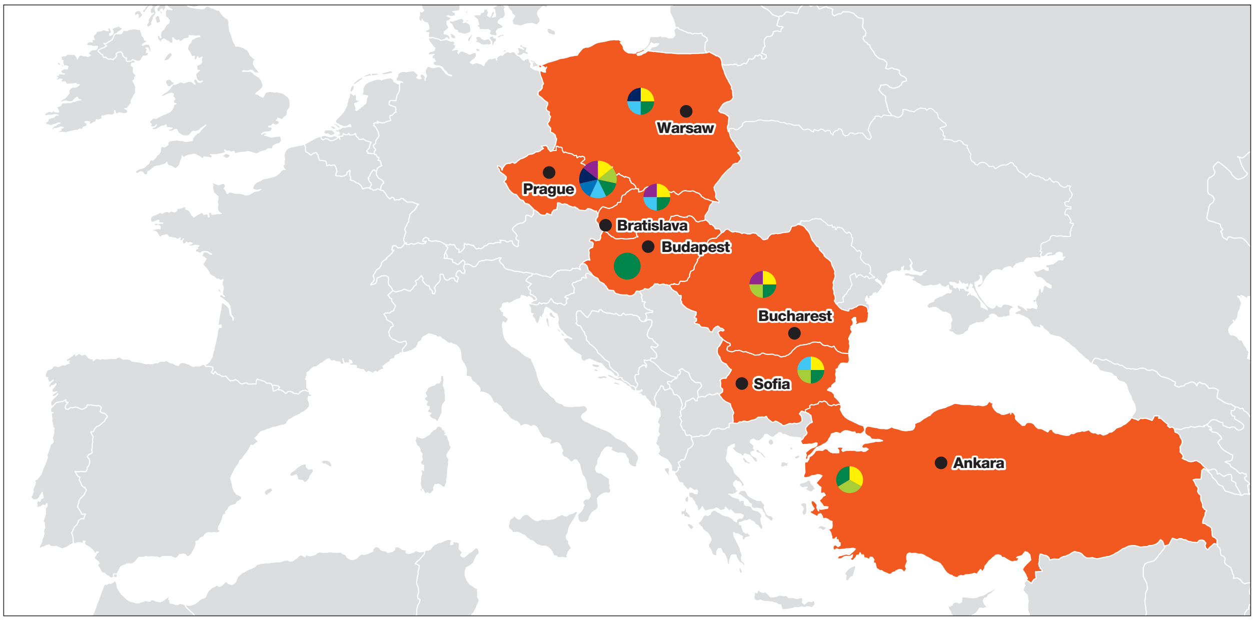
Headquartered in the Czech Republic, CEZ Group is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. The Group's core business is the generation, distribution, trade in and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 26,000 employees.

The largest shareholder of its parent company, ČEZ, a. s. is the Czech Republic with a nearly 70% stake in the Company's share capital (as at December 31, 2014). ČEZ, a. s. 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 energetic needs and to help to improve quality of life. As part of its strategic priority—to be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century—CEZ Group wants to operate its power assets as efficiently as possible and to participate in creation of innovations and trends to contribute to the power sector's future. Another of its strategic priorities is to address customers' energetic needs by offering a wide range of products and services in synergy with electricity and gas sales. As part of its third strategic priority—to strengthen and consolidate CEZ Group's position in Central Europe—CEZ Group strives to remain one of Europe's 10 largest energy companies with a focus on regions that are close to both ČEZ and the Czech Republic.

Shot No.: **2**

CEZ Group's Presence in the Energy Sector by Territory



Electricity
- generation
- distribution
- sale to end customers

Natural gas
- sale to end customers

Heat
- generation
- distribution
- sale to end customers

At the same time, 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 the promotion of business segments' and employees' initiative in order to grow CEZ Group's value.

CEZ Group companies in the Czech Republic extract and sell coal, generate and distribute electricity and heat, trade in electricity and other commodities, sell electricity, heat, and natural gas to end customers, and provide other services. Their power generation portfolio consists of nuclear, coal-fired, gas, hydroelectric, photovoltaic, wind, and biogas facilities. To ensure continuity of CEZ Group's successful market presence in the Czech Republic, which is considered crucial for its business, CEZ Group's power generation portfolio and distribution networks are renewed, upgraded and developed extensively, and intelligent distribution solutions are put into practice.

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, Turkey, and Slovakia. CEZ Group's subsidiaries in the Netherlands and Ireland are ownership intermediaries and companies providing financing.

In many European countries, CEZ Group trades in electricity and other commodities on wholesale markets. Besides the Czech Republic, CEZ Group sells electricity or natural gas to end customers in Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

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SEASON 2014

The CEZ Group 2014 Annual Report contains QR codes that link to the specific web pages (**www**), PDF documents (**pdf**), or e-mails (**e-mail**) that appear either in the body of the Annual Report or next to the QR code in question.

To read a QR code you will need a mobile telephone with a camera and installed "QR code reader" software, and to view a web page you will also need an Internet connection.

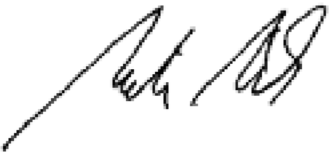
Take a picture of the QR code and the reader will decode it and give you access to the information it contains.

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 description of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the year 2014 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, April 13, 2015

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



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

Independent Auditor's Report on the Annual Report

To the Shareholders of ČEZ, a. s.:

I. We have audited the consolidated financial statements of CEZ Group as at December 31, 2014 presented in the annual report of ČEZ, a. s. („the Company") on pages 212–271 on which we have issued an auditors' report dated March 2, 2015, presented in the annual report on pages 210–211. We have also audited the separate financial statements of the Company as at December 31, 2014 presented in the annual report of the Company on pages 274–319 on which we have issued an auditors' report dated March 2, 2015, presented in the annual report on pages 272–273 (both referred further as „financial statements").

II. We have also audited the consistency of the annual report with the financial statements described above. The management of ČEZ, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–209 is consistent with that contained in the audited financial statements as at December 31, 2014. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of ČEZ, a. s. for the year ended December 31, 2014 presented in the annual report of the Company on pages 182–201. The management of ČEZ, a. s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of ČEZ, a. s. for the year ended December 31, 2014 is materially misstated.

Ernst & Young Audit, s.r.o.
License No. 401

Martin Skácelík, Auditor
License No. 2119

April 13, 2015
Prague, Czech Republic

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.

Introduction by the Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

Dear shareholders,

I am happy that I can start the summary of our past year with positive news. The market capitalization of ČEZ, i.e. the value of shareholders' stake in ČEZ's assets, grew by CZK 35.3bn in 2014. That's an increase of 12.6% in the same year that the Czech PX stock exchange index decreased by 4.7%. EBITDA amounted to CZK 72.5bn, which is two billion above the original expectations despite climatic conditions unfavorable to our business and despite negative developments in the regulation of the energy sector in 2014. We generated CZK 29.5bn of net income adjusted for extraordinary effects.

The good results were driven in particular by the successful start of an ambitious program of savings and active growth measures throughout CEZ Group. The results of this initiative surpassed the expectations of all renowned analysts and substantially helped CEZ Group maintain its high profitability in 2015 despite the ongoing crisis of the European energy sector and uncertainty on the markets that we operate in. Another key contribution was the final end of our dispute with Albania and the signing of an agreement that will bring ČEZ a total of EUR 95m, i.e. a sum similar to its initial investment in the acquisition of the Albanian distribution company.

A significant event of the year 2014, reflecting the developments in the energy market and regulation in Europe, was our decision to cancel the tender procedure for the construction of two new units at the Temelín Nuclear Power Plant, which became economically unreasonable under the existing conditions. However, canceling the tender procedure did not mean scrapping the project as such. Preparations continue, as the Czech government publicly declared the country's intention to build two nuclear units—one in Temelín and one in Dukovany—and to update the State Energy Policy accordingly and create a National Action Plan for the Development of Nuclear Energy. These strategic documents will have a profound influence on the direction taken by the Czech energy sector in the next decades including the execution dates of nuclear projects. The future of CEZ Group will also be affected by a new tariff system in distribution, which should create fairer and more transparent conditions and increase customers' motivation for responsible management of energies in the Czech Republic.


UNIVERSAL STUDIOS®
SCENE
TAKE
ROLL
DATE
SOUND
PROD.CO.
DIRECTOR
CAMERAMAN

However, let's now move from local to European events, which I personally consider even more important as we are operating on an open market, which is subject to EU rules. At the EU level, we are discussing key documents that will substantially affect the future of CEZ Group as well as the entire Czech and European power sector in the next decades. Naturally, debates in Brussels were dominated by the formation of the EU's climate and energy targets for 2030. As a proud member of the group of Europe's leading energy companies, we took an active part in negotiations on the final form of the EU's energy targets. Allow me to say that thanks to rational and transparent dialog, we managed to reduce many risks resulting from some unrealistic expectations and intentions, which might have an adverse effect not only on our business but also on the security of electricity supplies and the competitiveness of the entire European economy. We welcome the EU's 2030 energy framework as it brings about a higher degree of certainty and enables continued dialog on business conditions for CEZ Group and Europe as a whole.

Developments in the energy markets and regulation in Europe motivated us to adopt a historic change in our overall corporate strategy. We officially presented our new vision and strategy in 2014, although we had partially fulfilled them earlier. CEZ Group's strategy for this era, which can be called post-liberal from the perspective of the energy sector, is based on three priorities. Our first priority is to be among the best in the operation of conventional power facilities. We will continue to operate conventional generation facilities, including nuclear facilities, to the best of our abilities, i.e. with the lowest costs and the maximum safety possible, efficiently operate and develop distribution grids, and keep working on improving our internal efficiency and team performance. In 2014, we managed to increase the capacity of the Temelín Nuclear Power Plant, implement safety enhancing measures at the Dukovany Nuclear Power Plant, reduce emissions from coal-fired plants, and significantly improve our overall internal efficiency. Our active measures concerning both costs and revenues helped us improve our 2015 EBITDA outlook by CZK 6.4bn in comparison to our original business plan.

Another of our strategic priorities is developing a pro-customer approach, which consists in offering quality and innovative services and products focusing on the energy needs of our end customers. We can see great potential in the development of advanced, decentralized energy. We are planning to increase our share in the market of small cogeneration plants and pursue business in intelligent energy solutions. And we will be able to deliver to our customers products such as rooftop photovoltaic panels or heat pumps on a turn-key basis including financing and subsequent equipment maintenance. At the same time, we support and have prepared ourselves for the expected growth of electromobility.

It is our objective to stay among the top ten European energy companies, so the third priority of our new strategy is strengthening and consolidating CEZ Group's position in Central Europe. We have the lowest debt among Europe's large energy companies, so unlike our competitors we have room for considering acquisitions. We aim at acquisitions in Central European countries that are culturally and economically close to us. When evaluating specific acquisition opportunities, however, we will continue applying a conservative financial policy and carefully evaluate the course of European energy regulation.

Fulfillment of our new strategy is a long-term task, but the financial results we achieved, the active action we took, as well as the price of the Company's shares, which grew in 2014, prove so far that we are heading in the right direction and that we can effectively withstand negative external factors better than a number of large energy players in Europe.

I believe that the strength of our 26,000 employees will enable us to gradually fulfil our new strategy, creating a modern, innovative energy company that will provide our shareholders with a stable and high dividend as well as long-term growth in the Company's value.

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

Selected Indicators of CEZ Group

Selected Indicators of CEZ Group in Accordance with IFRS

	Unit	2010	2011	2012	2013	2014	2014/2013 Index (%)
Installed capacity	MW	15,018	15,122	15,781	15,166	16,038	105.7
Electricity generated (gross)	GWh	68,433	69,209	68,832	66,625	63,124	94.7
Electricity sold [1]	GWh	44,594	42,846	41,867	36,511	35,139	96.2
Heat sold [1]	TJ	16,918	15,249	19,467	24,633	21,276	86.4
Gas sold [1]	GWh	N/A	3,514	5,895	6,108	5,417	88.7
Workforce head count as at December 31	persons	32,627	31,420	31,308	26,582	26,255	98.8
Operating revenues	CZK millions	198,848	209,761	215,095	216,988	200,657	92.5
of which: sales of electricity and related services	CZK millions	175,277	181,793	186,797	189,356	173,819	91.8
EBITDA	CZK millions	88,800	87,350	85,818	81,994	72,498	88.4
EBIT	CZK millions	61,962	61,250	57,083	45,690	36,946	80.9
Net income	CZK millions	46,941	40,753	40,153	35,207	22,432	63.7
Adjusted net income [2]	CZK millions	49,817	41,214	41,299	38,178	29,454	77.1
Earnings per share—basic	CZK/share	88.1	76.3	77.6	67.2	41.9	62.4
Dividend per ČEZ, a. s. share (gross) [3]	CZK/share	53.0	50.0	45.0	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	77,165	61,773	64,612	72,202	70,920	98.2
Capital expenditures (CAPEX) [4]	CZK millions	(61,715)	(51,113)	(50,449)	(43,586)	(34,412)	79.0
Investments [5]	CZK millions	(11,128) [6]	(927)	(5,323)	(962)	(68)	7.1
Total assets	CZK millions	544,375	598,301	636,070	640,394	627,870	98.0
of which: property, plant and equipment [7]	CZK millions	362,510	386,837	419,754	425,662	426,542	100.2
Equity (including non-controlling interests)	CZK millions	227,052	232,190	254,219	262,766	265,851	101.2
Net debt	CZK millions	134,137	156,197	161,028	156,426	147,245	94.1
Return on Invested Capital (ROIC)	%	13.8	12.5	10.5	7.9	6.3	79.7
Return on Equity, net (ROE)	%	22.3	18.2	17.4	14.1	8.6	61.0
Net debt / EBITDA	1	1.51	1.79	1.88	1.91	2.03	106.3

[1] Sales to end 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).
[3] Declared in a given year to be paid out of the previous year's income.
[4] Additions to property, plant and equipment and intangibles.
[5] Acquisition of subsidiaries and joint ventures, net of cash acquired, except as noted in Note 6.
[6] Including investment in Dalkia Česká republika.
[7] Property, plant and equipment (including nuclear fuel and construction work in progress).

Data for 2010, 2011, and 2012 were not recalculated to reflect adjustments made in 2013 and 2014; see section 2.3.c. of the consolidated financial statements.

Credit Rating

The credit ratings of ČEZ, a. s. remained unchanged in 2014. Standard & Poor's Credit Market Services France S.A.S. affirmed its long-term rating of A- with a stable outlook on December 17, 2014. Moody's Investors Service Ltd. affirmed its long-term rating of A2, with a negative outlook, on March 27, 2014.

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 considering its choice of credit rating agencies, ČEZ, a. s. complies with Article 8d of the above-mentioned Regulation, i.e. appointing at least one credit rating agency with no more than 10% of the total market share was considered. Both existing credit rating agencies that assess ČEZ exceed the 10% market share.

Synopsis: Marek, the architect, returns to the Czech Republic after seven years spent abroad. He left for Hong Kong right after graduating from college in order to try out in practice what it is like to design skyscrapers. Before he left, he still lived with his parents, but now he is returning to his own home. Finally! He purchased an apartment in a newly built residential building and managed to furnish it remotely thanks to his former college friends, and now everything is ready for him to move in. It's January, 1 a.m. The airplane lands on the runway. Now he quickly needs to order a cab and head for his new home. Oops, after pressing a switch in his appartment, everything stays dark. How is this possible?

Facts: Customer Care Line operators are available 24 hours a day 7 days a week. They receive and handle some 2,000,000 phone calls during the year. Most customers do not wait to be connected with an operator for more than 30 seconds.

Marek: My head was full of business issues, and in addition I had to manage the apartment in Prague. I placed great emphasis on selecting the lights, but it did not occur to me that I should choose a power supplier and enter a relevant contract. I found the Customer Care Line number on the web. The operator arranged all the formalities and I did not have to go anywhere.

finally home

episode 157

STARRING Marek and Customer Care Line
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Shares

Four CEZ Group companies have publicly traded shares.

1. ČEZ, a. s.

As at December 31, 2014, the stated capital of ČEZ, a. s. totaled CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100.

Shares

Security	ISIN	Issue date	Volume	Issued as	Form	Nominal value	Market	Traded since
Registered share	CZ0005112300	February 15, 1999	CZK 53.8bn	Dematerialized	Bearer	CZK 100	PSE	June 22, 1993
							PSE Prime Market	January 25, 1994
							RM-System	February 23, 1999
							WSE	October 25, 2006

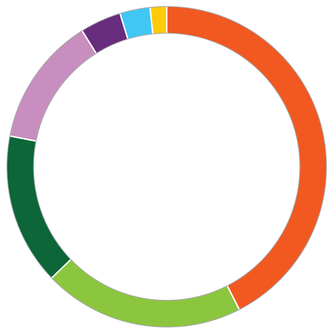
Structure of Shareholders—by Entity Type (%)

	Stake in stated capital	Stake in voting rights	Stake in stated capital	Stake in voting rights
	as at December 31, 2013		as at December 31, 2014	
Legal entities, total	92.70	92.65	93.31	93.26
of which: Czech Republic	69.78	70.29	69.78	70.29
ČEZ, a. s.	0.72	N/A	0.72	N/A
Other legal entities	22.20	22.36	22.81	22.97
Private individuals, total	7.30	7.35	6.69	6.74

Source: Central Securities Depository.

Structure of Identified Institutional Shareholders—by Geography

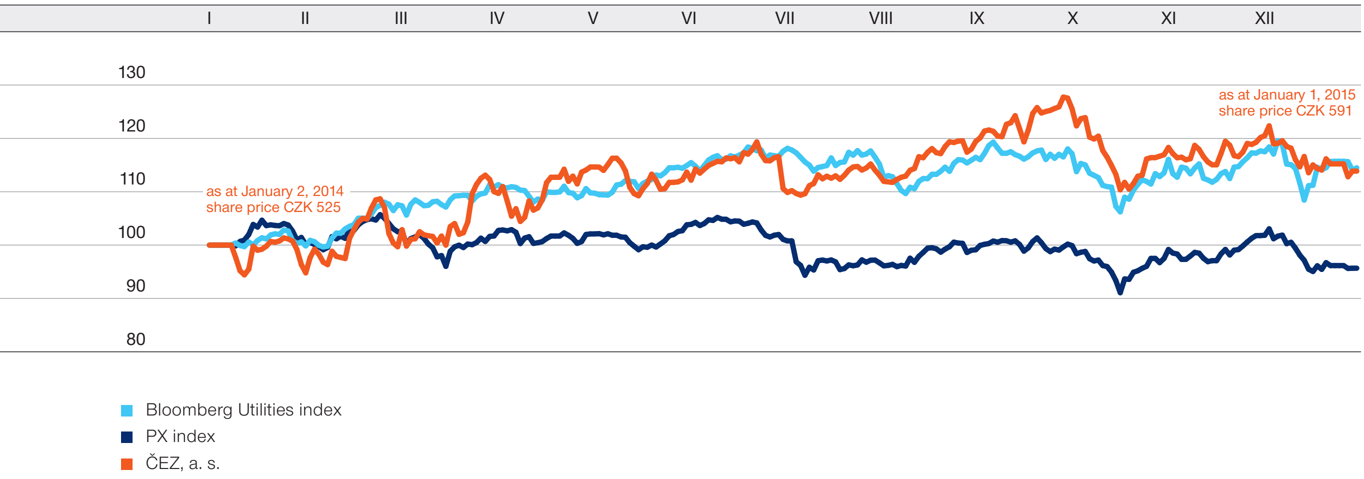
	%
North America	42.6
Continental Europe (other than Czech Republic and Republic of Poland)	20.3
United Kingdom and Ireland	15.2
Republic of Poland	13.1
Asia	4.3
Czech Republic	3.1
Other	1.4
Total	100.0



Explanation of Methodology

The data in the table is based on a questionnaire survey conducted by Ipreo among institutional investors and managers of securities. The survey yielded information on 79% of the overall number of shares held by institutional investors. The figures in the table represent percentages of the total number of identified institutional investors. Shares owned by the Czech Republic and treasury shares are not included in the results.

ČEZ, a. s. Share Prices in 2014, Compared with the Bloomberg Utilities Index and PX Index (%)



Stock-Related Indicators

	Unit	2013	2014	2014/2013 Index (%)
Net earnings per share–basic (EPS) [1]	CZK/share	67.2	41.9	62.4
Dividend per share (gross) [2] (DPS)	CZK/share	40.0	40.0	100.0
Dividends declared	CZK billions	21.4	21.4	100.0
Dividend as percentage of previous year's consolidated net income (DPR)	%	53.2	60.7	114.1
Dividend as percentage of previous year's adjusted consolidated net income	%	52.1	56.4	108.2
Share price–year's high	CZK	680.2	663.0	97.5
Share price–year's low	CZK	427.9	490.0	114.5
Share price–at year end (as at December 31)	CZK	517.0	591.0	114.3
ČEZ stock trading volume on the PSE	CZK billions	69.3	62.1	89.7
ČEZ stock volume as percentage of overall PSE trading volume	%	37.3	39.2	105.1
Number of registered shares (as at December 31)	thousands	537,990	537,990	100.0
Number of treasury shares (as at December 31)	thousands	3,875	3,875	100.0
Number of shares in circulation (as at December 31)	thousands	534,115	534,115	100.0
Price to earnings ratio (P/E)	1	7.7	14.1	183.2
Book value per share (BVPS)	CZK	483.2	489.2	101.2
Price to book value ratio (P/BV)	%	107.0	120.8	112.9
Total shareholder return (TSR)	%	(18.1)	22.1	N/A
Market capitalization (as at December 31)	CZK billions	276.1	315.7	114.3

[1] Consolidated net earnings per share attributable to parent company shareholders.
[2] Declared in a given year to be paid out of the previous year's income.

Dividend Payments to Shareholders and Dividend Policy

The General Meeting held on June 27, 2014, decided to pay company shareholders a dividend for 2013 in the amount of CZK 40 per share before tax. Entities that were shareholders of ČEZ, a. s. on the record date, i.e. July 3, 2014, are entitled to the 2013 dividend. The dividends became payable on August 1, 2014 and can be claimed until August 1, 2018.

The number of shares for which the dividend is paid was 534,114,738 as at July 3, 2014.

ČEZ's long-term dividend policy, applied during the past seven years, has been to pay out 50–60% of CEZ Group's consolidated net income every year, with the amount paid out in 2014 bordering on 61%. The updated dividend policy envisages paying dividend out of CEZ Group's consolidated net income adjusted for extraordinary effects. The specific amount of dividend is decided on and approved by the General Meeting.

ČEZ, a. s. Shareholder and Investor Relations

ČEZ has been building shareholder relations by openly and regularly communicating with all participants in the capital market for a long time. It publishes quarterly communications on its financial results and fulfillment of CEZ Group's strategic goals on dates that are announced in advance. It also informs on an ad hoc basis about noteworthy new facts that might affect the share price. Throughout 2014, company management and representatives responsible for investor relations participated in more than 200 presentations and meetings with the representatives of institutional investors in the Czech Republic, the United Kingdom, the United States, Poland, Austria, Germany, the Scandinavian countries, Switzerland, and the Benelux countries. Analytical reports and investment recommendations on ČEZ shares are published regularly by 30 brokerage firms.

2. Akenerji Elektrik Üretim A.S.

The company's shares are traded freely on the stock exchange. A portion of shares representing a 25.3% stake in its stated capital has been freely 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, a. s. held a 37.4% stake in the company's stated capital as at December 31, 2014.

3. 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. On December 31, 2014, ČEZ, a. s. held a 67% stake and the second largest shareholder, the Himimport group, held a 26.92% stake in the company's stated capital.

4. 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. On December 31, 2014, ČEZ, a. s. held a 67% stake and the second largest shareholder, the Doverie group, held a 11.94% stake in the company's stated capital.

On June 12, 2014, the company's General Meeting decided to decrease the par value of its shares from BGN 10 to BGN 1 per share and change the number of the shares from 192,800 to 1,928,000. Subsequently, the company filed an application for registration of the changes with the Central Depository and the BSE on August 19, 2014. The new company shares with the nominal value of BGN 1 were distributed to shareholders in proportion to their stake before the changes. The company's share capital remained BGN 1,928,000. After the application was filed with the Central Depository and the BSE, trading in the shares was suspended from August 20, 2014 to August 22, 2014; it was resumed on August 25, 2014.

Selected Events of the Year

Selected Events of 2014

January

- European Commission approval of allocation of emission allowances for electricity and heat generation in the Czech Republic for 2013.

February

- EUR 470.2m issue of bonds convertible into MOL Nyrt. shares.

March

- Proceedings on revocation of a Bulgarian subsidiary's electricity sales license commence,
- Law restricting support for renewable energy sources, including support for the Fântânele and Cogealac wind parks, enters into effect in Romania.

April

- ČEZ, a. s. decides to cancel the tender procedure for the construction of two new units at the Temelín Nuclear Power Plant,
- Settlement of a buyback of ČEZ, a. s. bonds maturing in 2015 and 2016 with a total value of EUR 300m, without an option to exchange the bonds for new bonds.

May

- IAEA OSART Follow-Up Peer Review takes place at the Temelín Nuclear Power Plant, issuing a favorable review of the effectiveness of measures taken in organization and management, operations, maintenance, technical support, feedback, chemistry, radiation protection, and emergency management based on recommendations from 2012,
- Ledvice Heating Project (for a central heating system) becomes Project of the Year 2013 in the "Development of Heat Supply Systems" category at the District Heating and Energy Days in Hradec Králové.

June

- 22nd Annual General Meeting of ČEZ, a. s. is held,
- EUR 95m settlement agreement is made with the Republic of Albania,
- Ambitious financial goals are set for 2015 and 2016—permanent cutting of fixed operating costs by 16% on average in comparison to the plan, optionally replacing some of the cuts with an increased margin on new opportunities and optimizations, while maintaining compliance with all safety, legal, and regulatory requirements.

July

- New price decision of the Bulgarian regulatory authority SEWRC comes into effect, resulting in the distribution company's margin decreasing by approx. 4% and the sales company's margin dropping by approx. 33%.

August

- Contract is entered into with Vršanská uhelná to provide 200 MW of ČEZ, a. s. power plants' production capacity for converting coal to electricity,
- Upgrade of turbine low-pressure rotors is completed at Temelín Nuclear Power Plant Unit 1, increasing its capacity from 1,056 MW_e to 1,078 MW_e,
- New CCGT plant with an installed capacity of 904 MW is put into operation in Egemer, Turkey.

September

- New fuel, Gd-2M+, is loaded to the Dukovany Nuclear Power Plant; the new type of fuel will allow extending the length of fuel campaigns and increasing fuel efficiency.

October

- All conditions precedent of the June settlement agreement with the Republic of Albania are met (including a payment of EUR 10m), which means that a renowned European bank's guarantee for Albania's remaining obligation of EUR 85m enters into effect, any potential Albanian claims against CEZ Group cease to exist, ČEZ's arbitration against Albania is terminated, and its stake in the distribution company is assigned to the Albanian state,
- State Office for Nuclear Safety issues a favorable opinion on the location of two new nuclear units at Temelín,
- Construction of a CCGT plant with an installed capacity of 845 MW is completed at Počerady, Czech Republic,
- Approval of the EU's Climate & Energy Policy until 2030 by the European Council; main parameters of allowance allocation after 2020 are also defined (40% derogation for the Czech Republic),
- Amended collective agreements are renewed at ČEZ and other selected subsidiaries until 2017 (including an agreement on zero salary increase in 2015).

November

- In the "Czech Energy and Environmental Project, Building, Innovation of the Year 2013" competition, the Ledvice Heating Project wins first prize awarded by the organizing company TOP EXPO CZ and second prize awarded by the Ministry of Industry and Trade,
- Overall settlement of the award issued by the arbitration panel in a dispute with the Bosnian state-owned company of Elektroprivreda Republike Srpske, in which ČEZ was awarded compensation of EUR 6.7m,
- ČEZ ESCO is founded as an umbrella company undertaking all activities relating to deliveries of energy commodities, distributed energy technology, energy savings, and services for large and medium-sized customers.

December

- Favorable opinion in the EIA process comes into effect for the first of Eco-Wind Construction S.A.'s Polish wind turbine projects,
- Amendment to the contract with DIAMO concerning uranium concentrate deliveries in 2015 and 2016 is signed.

Selected Events of 2015 (Until the Annual Report Closing Date)

January

- Operation of the coal-fired power plant in Varna, Bulgaria is suspended,
- CEZ Group's Code of Conduct takes effect as a comprehensive summary of the rules of ethical conduct, with a primary focus on external relations, employee relations, environment, occupational health and safety, and security of CEZ Group.

March

- An extraordinary drill exercise with a secret scenario was successfully performed at the Temelín Nuclear Power Plant, the objective of which was to test reactions to an unplanned situation,
- ČEZ WITH REWARD was introduced as a new product in the gas supply segment; when concluding a contract for three years, the first year guarantees the customer a price 7% below the standard product of the main supplier in the given distribution territory; the prices will drop by 8% in the second year, and even by 10% in the third year; at the same time, customers will be granted an immediate contract execution bonus depending on their consumption level.

Developments in Relevant Energy Markets

Electricity

Electricity Spot Prices

	Unit	Czech Republic–OTE	Germany–EEX
Average baseload price	EUR/MWh	32.96	32.72
Year-on-year change	%	(10.3)	(13.4)
Average peakload price	EUR/MWh	37.38	36.75
Year-on-year change	%	(12.4)	(14.8)

Note: Average prices are calculated from data for the entire year.

Wholesale prices in the Czech Republic imitate prices in Germany due to close links between the two electricity markets. They are affected by the following key factors:

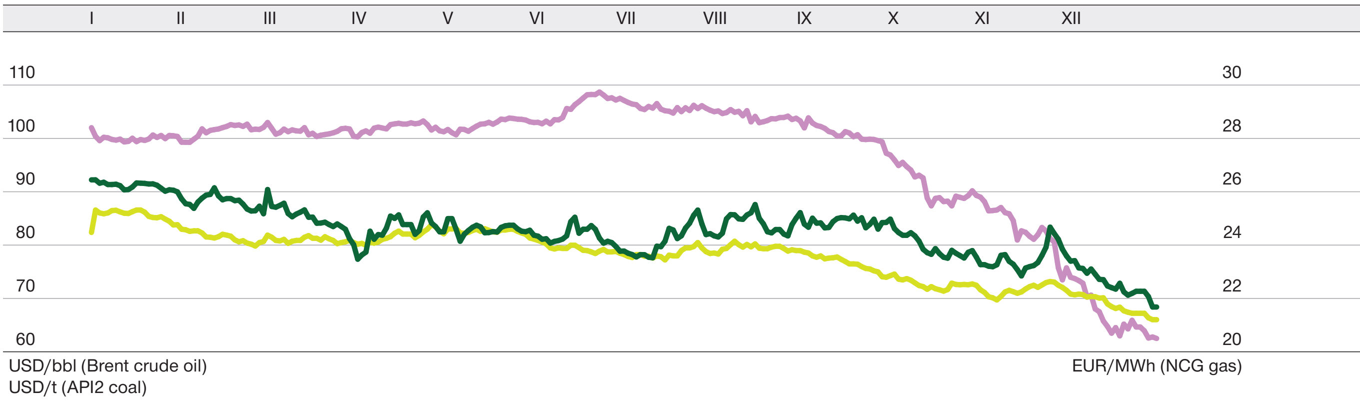
- Commodity prices on world markets, in particular those of coal, natural gas, and emission allowances,
- Macroeconomic developments,
- Developments in the capacity of generation facilities in Europe, especially renewable sources,
- Changes in Europe's regulatory environment.

Electricity Prices (2015 Year Band)

Prices of the 2015 forward electricity contract in Germany did not have any clear trend in 2014 and varied over a rather narrow range of EUR 33–36 per MWh for most of the year. They sank to the lower boundary of that range, to EUR 33 per MWh, in December, getting 10% lower than at the beginning of the year. The main reason for the drop was a decrease in hard coal prices related to a drop in oil prices in Q4.

Coal, Oil, and Gas

Prices of Gas, Coal, and Crude Oil (2015 Forward Contracts)

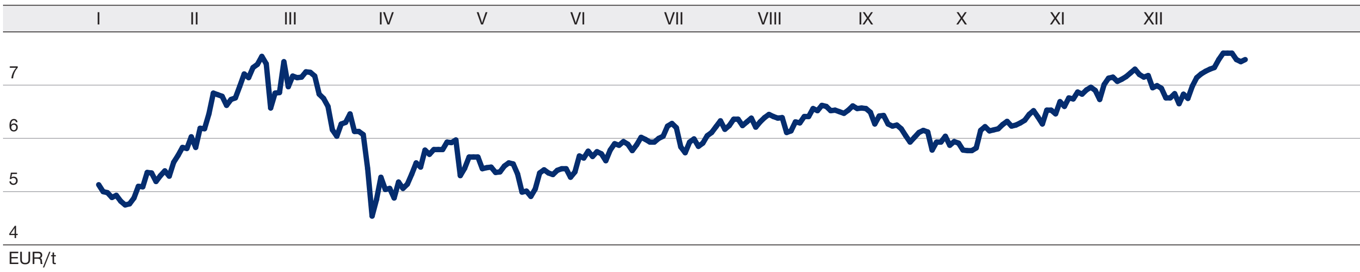


- Brent crude oil – contract on Brent crude oil with delivery during 2015
- API2 coal – one-year futures contract on API2 coal with delivery during 2015
- NCG gas – futures contract on natural gas with delivery to the NCG (NetConnect Germany) trading point during 2015

API2 hard coal prices were rather stable in the first eight months of the year, oscillating around USD 80 per ton. The year-end drop to USD 66 per ton meant the lowest prices in several years. A considerable weakening of the currencies of the Republic of South Africa, Russian Federation, Australia and Colombia, i.e. countries that are important exporters, against the U.S. dollar reduced the countries' mining costs in USD and helped their coal exports grow in spite of decreasing coal prices. Additionally, China continued implementing laws to help to improve the environment, which resulted in lower imports of hard coal.
Forward gas prices dropped by 18% to EUR 21.7 per MWh. The drop in gas prices was related to an almost 40% slump in oil prices in the last quarter of 2014 after member countries of the OPEC failed to agree on a reduction in oil production.

Emission Allowances

Prices of Emission Allowances (2015 Forward Contracts)



- CO_2 allowance – greenhouse gas emission allowances with delivery in December 2015

The prices of emission allowances grew by 50% over the year, to EUR 7.5 per ton. Regardless of the increase, they remain too low and fail to motivate industrial and energy companies to reduce emissions. The growth in price during 2014 was due to the start of discussion in EU bodies about a structural reform of the trading system. The European Commission published its proposal for introduction of the Market Stability Reserve (MSR), a mechanism that should allow it to withdraw some of the surplus allowances from the market. In the fall, the European Council approved ambitious targets for emission reduction until 2030.

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leaving the nest

STARRING Milan and Eva, ČEZ ON-LINE
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Synopsis: Milan, the protagonist, has moved out of his parents' home to an apartment left to him by his grandmother, and Eva also moves there with him. It is a typical love story. The young protagonists spend all their time with each other. But the reality of life is different; for example, Milan still needs to go and pay his utility bills; it is the last day he can do it! But why waste time on petty problems?

Facts: You can of course manage your account online using the ČEZ ON-LINE application from your cozy home.

Milan: It's great that I don't need to go anywhere; there are always a lot of people. I really hate waiting in lines. I set up the account online in just a few minutes, and I didn't need to go anywhere.

Governing Bodies of ČEZ, a. s.

(A 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, Czech Republic, at Duhová 2/1444, 140 53 Prague 4. The Company's website is located at www.cez.cz [1]. The Company conforms to Act No. 90/2012 Sb., on Business Corporations and Cooperatives (Business Corporations Act) as a whole.

In 2014 the Company had the following governing bodies:
- General Meeting;
- Supervisory Board;
- Audit Committee;
- Board of Directors.

General Meeting

The Company's supreme governing body is the General Meeting, 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 General Meeting include, in particular, the following:
- Making decisions on amending the Company's by-laws,
- Making decisions on changes to the share capital and on issuing convertible or priority bonds,
- Electing and removing members of the Supervisory Board, approving contracts on service on the Supervisory Board and amendments thereto,
- Approving ordinary or extraordinary financial statements, consolidated financial statements, as well as interim financial statements, if required by law; making decisions on the allocation of earnings or other own resources or the settlement of a loss,
- Making decisions on the provision of consideration pursuant to 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,
- Approving the assignment, pledge, or lease of a plant or a part 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 appointment of an auditor to conduct the mandatory audit,
- Electing and removing members of the Audit Committee and approving contracts on service on the Audit Committee.

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Attendance at the General Meeting

The General 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 General Meeting is the seventh day preceding the date on which the General Meeting is held.

The General Meeting is attended by members of the Board of Directors, Supervisory Board and Audit Committee; it may also be attended by individuals that can reasonably give their opinion on items on the General Meeting's agenda, such as the Company's auditors or advisers, and individuals that make arrangements for the General Meeting.

Procedure at the General Meeting

At the General Meeting, the person chairing the meeting must make sure that all proposals, counterproposals, and requests for explanation put forward by shareholders are brought to the floor, provided they relate to an agenda item and provided the shareholder in question so insists. Moreover, the person chairing the meeting must make sure that a response is given whenever a shareholder requests explanation of matters related to the Company or entities controlled by the Company that are on the agenda. Explanations of matters related to the current General Meeting are provided by the Company to a shareholder right at the General 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 from the date on which the General Meeting is held.

Decision Making at General Meetings

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

The General 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 by-laws. 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 General Meeting to make decisions on:

- Amendments to the Company's by-laws or a decision resulting in a change thereof,
- Authorization for the Board of Directors to increase the stated 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,
- Dissolution of the company through liquidation and on distribution of the liquidation balance,
- Approving of the assignment, pledge or lease of a plant or a part thereof.

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 General 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 by-laws,
- Excluding or restricting a shareholder's preferential right in an increase of the share capital by subscribing new stock,
- Approving of a subordination agreement or a change thereto,
- Approving of an earnings allocation agreement or a change thereto,
- Increase of the stated capital through non-monetary contributions.

General 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, General Meeting decisions on stock mergers require approval by all shareholders whose shares are to be merged.

The General Meeting minutes together with General Meeting announcements and attendance lists, including submitted powers of attorney, are stored in the Company archives for the whole duration of the Company.

General Meeting in 2014

The twenty-second Annual General Meeting of ČEZ, a. s. was held on June 27, 2014. Participating in the voting were shareholders holding shares with a nominal value of CZK 42,570,443,900, associated with 425,704,439 votes and representing 79.70% of the share capital of ČEZ, a. s. excluding shares with a nominal value of CZK 387,502,100 that were held by the Company and could not be used to exercise voting rights. Among other things, the General Meeting:

- Heard the Board of Directors' Report on the Company's Business Activities and Assets for 2013, the Summary Explanatory Report pursuant to Section 118(8) of the Capital Market Undertakings Act, the Supervisory Board's Report on the Results of Inspection Activities, and the Audit Committee's Report on the Results of Its Activities,
- Decided to amend the Company's by-laws by adopting the counter-proposal of the majority shareholder (Czech Republic—Ministry of Finance) by which the entire existing wording of the Company's by-laws was replaced with amended wording as proposed by the Board of Directors with the exception of the wording of Article 18(2), Article 18(5)(h), Article 25(4), and Article 20(5), which was replaced with wording amended by the counter-proposal,
- Approved the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for the year 2013,
- Approved the income distribution of ČEZ, a. s. in 2013 as follows:
  - Share in profits awarded to Company shareholders (dividend) of CZK 40 per share (before tax),
  - Total sum of dividends, calculated from the total number of shares outstanding CZK 21,519,590,000,
  - Share in profits awarded to members of the Board of Directors and Supervisory Board (bonus) CZK 25,500,000,
  - Transfer to the retained earnings account CZK 4,828,211,000.

  The record date for dividend payout was July 3, 2014. Entities that were shareholders of the Company on that date are entitled to the dividend. The dividend is payable on August 1, 2014 and can be claimed until August 1, 2018. The dividend is paid out through the appointed bank and in the manner presented at the General Meeting. The dividend applicable to treasury shares held by the Company as at the record date was not paid. The amount corresponding to the dividend applicable to treasury shares held by the Company as at the record date for dividend payout was transferred to the retained earnings account. The General Meeting of ČEZ, a. s. approved the distribution of bonuses among members of the Board of Directors and Supervisory Board. The share of each Board member was determined in proportion to the time he or she served on the relevant Board in 2013. Members of the Supervisory Board are not eligible for any bonus where granting it is not permitted by law. The number of shares for which the dividend is paid was 534,114,738.
- Approved the presented update to the business policy of CEZ Group and ČEZ, a. s.,
- Appointed Ernst & Young Audit, s.r.o as the auditor to perform the statutory audit for the accounting period of calendar year of 2014,
- Approved the 2015 donorship budget at CZK 155m,
- Removed following persons from the Supervisory Board of ČEZ, a. s.: Milan Bajgar, Jiří Kadrnka, Lubomír Poul, and Jiří Volf,
- Elected members of the Supervisory Board of ČEZ, a. s.: Petr Blažek, Jiří Borovec, Zdeněk Černý, Vladimír Hronek, Lubomír Charvát, Drahoslav Šimek, Jiří Tyc, Vladimír Vlk, and Lukáš Wagenknecht,
- Removed Jiřina Vorlová from the Audit Committee of ČEZ, a. s.,
- Elected members of the Audit Committee of ČEZ, a. s.: Andrea Káňová and Lukáš Wagenknecht,
- Approved contracts on service on the Supervisory Board made between ČEZ, a. s. and Milan Bajgar, Vladimír Hronek, Jiří Kadrnka, Jan Mareš, Michal Mejstřík, Radek Mucha, Jiří Novotný, Václav Pačes, Lubomír Poul, Vladimír Říha, Drahoslav Šimek, Jiří Volf, and Jiřina Vorlová,
- Approved contracts on service on the Audit Committee made between ČEZ, a. s. and Ján Dzvoník, Alena Kochová, Radek Neužil, and Jiřina Vorlová.

Supervisory Board

Position and Powers of the Supervisory Board

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

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

- Check compliance with generally binding legal regulations, the Company's by-laws and resolutions of the General Meeting,
- Check how the Board of Directors executes ownership rights in legal entities that the Company has a stake in,
- Review ordinary, extraordinary, consolidated, and, where applicable, also interim financial statements, proposals for income distribution or loss settlement, and the Related Parties Report, and present its comments to the General Meeting,
- Discuss quarterly financial results, half-yearly and yearly reports, and where applicable, other reports pursuant to the Capital Market Undertakings Act and annual reports pursuant to the Accounting Act,
- Present its comments, recommendations, and proposals to the General 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,
- Propose to the General Meeting the appointment of an auditor to conduct the mandatory audit.

The Supervisory Board grants the Board of Directors prior consent for the implementation of certain decisions. These include, inter alia, 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 500m,
- Company capital projects with a value exceeding CZK 500m,
- Operations with stakes in other legal entities if the value of the stake exceeds CZK 500m,
- Transfers and pledging of treasury stock,
- Staffing of the supervisory boards of companies in whose share capital ČEZ, a. s. has a stake exceeding CZK 500m or companies for which the Supervisory Board has reserved right of prior consent,
- Draft contract with the auditor appointed by the General Meeting to conduct the mandatory audit,
- Granting of a loan (credit) to a third party or providing of any company's guarantee for a third-party debt that in each individual case exceeds CZK 200m,
- 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) exceeding CZK 500m,
- Issue of bonds other than those for which the consent of the General Meeting is required,
- Granting of Company stock options,
- Conclusion of a contract under which the Company is to acquire or alienate assets whose value during one accounting period exceeds one-third of the Company's share capital as shown by the last consolidated financial statements,
- Enabling the conduct of due diligence (legal, financial, technical, and/or environmental audit) of ČEZ, a. s. 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 share capital 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 General 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 re-elected. 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 General Meeting session. 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 at the Company's registered office: Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Decision Making in the Supervisory Board

The Supervisory Board constitutes a quorum if a simple majority of all its members (i.e. at least 7 members) is present. Voting is by show of hands unless otherwise provided. The Supervisory Board makes decisions by a simple majority of the votes of all its members unless the Company's by-laws stipulate otherwise. Each member has one vote when making decisions. Supervisory Board meetings are held usually once a month. The Chairman of the Supervisory Board must always call a Supervisory Board meeting if the Board of Directors or a member of the Supervisory Board requests so or if shareholders defined in Section 365 of the Business Corporations Act request that the performance of the Board of Directors 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 simple 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 2014, 14 meetings were held: 11 regular meetings and 3 extraordinary 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

A professor of biochemistry and a graduate of the Faculty of Natural Sciences, Charles University, Prague, Prof. 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, Chairman of the government-appointed Independent Energy Commission, and member of the Ethics Panel, an advisory board to the CEO of Czech Television, the public service broadcaster in the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- HANUŠ GOLDSCHEIDER FOUNDATION FOR CZECH GOLF—member of the Board of Trustees since June 1, 2011 (four-year term),
- University of Economics, Prague—member of the board of trustees since March 1, 2012 (four-year term).

Jiří Borovec

Vice-Chairman of the Supervisory Board since June 27, 2014,
member of the Supervisory Board since June 27, 2014

Graduated from the Faculty of Electrical Engineering, Military Academy, Brno; Faculty of Arts, Masaryk University, Brno; and MBA program of the Brno Business School, Nottingham Trent University.
He gained managerial and professional experience in such positions as Vice-Chairman of the Board of Directors and Chief Production Officer at ČEZ, a. s., Chairman of the Board of Directors and CEO at ČEPRO, a.s., Chairman of the Board of Directors and CEO at ŠKODA JS a.s. and First Deputy Minister of Defense of the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2014: 30,000.

- VOP CZ, s.p.—member of the Supervisory Board since February 28, 2014,
- Vojenský technický ústav, s.p., Prague—Vice-Chairman of the Supervisory Board since February 28, 2014,
- Candoris s.r.o.—partner since January 30, 2008.
- Candoris s.r.o.—member of the governing body in 2008–2014,
- ČEPRO, a.s.—Chairman of the Board of Directors in 2009–2012.

Vladimír Hronek

Vice-Chairman of the Supervisory Board since March 20, 2013,
re-elected on February 27, 2015,
member of the Supervisory Board elected by employees since September 30, 2010,
re-elected by the General Meeting on June 27, 2014 with effect from October 1, 2014 (term ends April 11, 2017)

A graduate of the Industrial School of Electrical Engineering, Prague.
He gained professional experience in such positions as inspection electrician at the Temelín Nuclear Power Plant and Vice-Chairman of the CEZ Group European Works Council.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- Local unit of the ECHO Labor Union at Temelín Nuclear Power Plant—Chairman since 2006, re-elected in 2014 (four-year term),
- CEZ Group European Works Council—Vice-Chairman since June 28, 2011 (four-year term), member since June 26, 2007,
- ECHO Labor Union—member of the Audit Committee since June 6, 2013 (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, 2014: 0.

- UNIPETROL, a.s.—member of the Supervisory Board since January 29, 1999, last re-elected June 30, 2013 (three-year term),
- ČESKÁ RAFINÉRSKÁ, a.s.—Chairman of the Supervisory Board since June 11, 2014, member of the Supervisory Board since April 27, 2011, re-elected April 28, 2014 (three-year term).
- ČESKÁ RAFINÉRSKÁ, a.s.—Chairman of the Supervisory Board in 2008–2010 and 2011–2014, member of the Supervisory Board in 2007–2010.

Lubomír Charvát

member of the Supervisory Board since June 27, 2014

A graduate of the civil engineering and economics program at the Faculty of Civil Engineering, Czech Technical University, Prague.

He gained managerial and professional experience in such positions as portfolio manager in the asset management department of Československá obchodní banka, a. s. and member of the Supervisory Board and head of treasury at HYPO stavební spořitelna a.s. In CEZ Group he has worked as financial development manager at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- Good Technology s.r.o.—partner and Managing Director since August 20, 2010.
- SYSTEMS finance, s.r.o.—partner and Managing Director in 2010.

Radek Mucha

member of the Supervisory Board elected by employees since April 11, 2013

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, 2014: 0.

- Local unit of the Czech Union of Power Industry Employees at the Dlouhé Stráně Hydro Power Plant—Chairman since 1999, re-elected November 28, 2014 (five-year term).
- CEZ Group European Works Council—member in 2009–2013.

Jiří Novotný

member of the Supervisory Board elected by employees since April 11, 2013

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, 2014: 0.

- Labor Union of Power Industry and Mining Employees—member of the Steering Committee since June 28, 2006, re-elected February 27, 2013 (four-year term),
- CEZ Group European Works Council—member of the Council since June 28, 2011 (four-year term).

Drahoslav Šimek

member of the Supervisory Board elected by employees since June 29, 2006,
re-elected by employees on September 30, 2010,
re-elected by the General Meeting on June 27, 2014
with effect from October 1, 2014 (term ends 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 e.g. as a 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, 2014: 2,230.

- Local unit of the Czech Union of Power Industry Employees, Union of Dukovany Power Plant Shift Employees—Chairman since May 1, 2012 (four-year term),
- CEZ Group European Works Council—member since June 28, 2011 (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.

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 e.g. as a 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, 2014: 20.

Jiří Tyc

member of the Supervisory Board since June 27, 2014

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

He gained managerial and professional experience in such positions as nuclear unit operator and manager at ČEZ, a. s.—Dukovany Nuclear Power Plant, shift engineer and equipment care manager at ČEZ, a. s.—Temelín Nuclear Power Plant, and director of the Temelín division of ČEZ ENERGOSERVIS spol. s r.o.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- Osvětová beseda, obecně prospěšná společnost—member of the supervisory board since May 5, 2012.

- Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five years.

Vladimír Vlk

member of the Supervisory Board since June 27, 2014

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

He gained managerial and professional experience e.g. in consulting firms in the power industry and environmental protection, as a department director at the Ministry of the Environment of the Czech Republic, advisor to the minister of industry and trade of the Czech Republic in the field of the Czech Republic's energy policies and strategies, and in CEZ Group in the operation of coal-fired and nuclear power plants.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- ▫ EM Consult s.r.o. v likvidaci—Managing Director and sole member since September 30, 1996. Based on the sole member's decision, the company was dissolved with liquidation on July 1, 2010.
- ▪ Teplo - byty, s.r.o.—member of the Supervisory Board in 2013–2014.

Lukáš Wagenknecht

member of the Supervisory Board since June 27, 2014

A graduate of the economic policy and administration program of the Faculty of Economics and Administration, Pardubice University.

He gained managerial and professional experience in various positions such as in the internal audit department of the Ministry of the Interior of the Czech Republic, FOXCONN CZ s.r.o., Regional Council of the Central Bohemia Cohesion Region, and Prague Public Transport Company. He has also served as Vice President of the Czech Institute of Internal Auditors, manager of Enterprise Risk Services at Deloitte Audit s.r.o. and First Deputy Minister of Finance of the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- ▫ Kordex System s.r.o.—partner since February 2, 2010,
- ▫ "Centrum of Excellence for Good Governance" (association)—Chairman of the Board of Trustees since September 11, 2012,
- ▫ České dráhy, a.s.—member of the Audit Committee since January 21, 2015 and member of the Steering Committee since February 26, 2014,
- ▫ Exportní garanční a pojišťovací společnost,a.s.—member of the Audit Committee since June 19, 2014.
- ▪ Exportní garanční a pojišťovací společnost,a.s.—member of the Supervisory Board in 2014.

Members of the Supervisory Board whose membership terminated in 2014 or before the Annual Report closing date:

Milan Bajgar

member of the Supervisory Board from June 26, 2012 to June 27, 2014

Petr Blažek

member of the Supervisory Board from June 27, 2014 to September 29, 2014

Jiří Kadrnka

member of the Supervisory Board from November 22, 2010 to June 27, 2014

Jan Mareš

member of the Supervisory Board from October 25, 2013 to June 27, 2014 *)

Michal Mejstřík

member of the Supervisory Board from October 26, 2013 to June 27, 2014 *)

Lubomír Poul

member of the Supervisory Board from December 18, 2012 to June 27, 2014

Vladimír Říha

member of the Supervisory Board from August 1, 2013 to June 27, 2014 *)

Jiří Volf

member of the Supervisory Board from June 26, 2012 to June 27, 2014

*) Members of the Supervisory Board co-opted by the Supervisory Board after the General Meeting held on June 19, 2013. The General Meeting held on June 27, 2014 did not vote on the co-option of those members so their membership in the Supervisory Board was terminated on the date of the General Meeting.

- ▫ Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- ▪ Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five 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 per 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 simple 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 simple 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 an 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 the Czech Republic and abroad),
- Establishment or dissolution of ČEZ, a. s. subsidiaries,
- Construction of new generation facilities,
- Reduction/sale/renovation of production capacities.

Members of the Supervisory Board Strategy Committee:

Jiří Borovec
Committee Chairman since September 29, 2014,
Committee member since August 29, 2014

Vladimír Vlk
Committee Vice-Chairman since September 29, 2014,
Committee member since August 29, 2014

Václav Pačes
Committee member since April 30, 2013,
re-elected September 29, 2014,
Committee Chairman from August 22, 2013 to September 29, 2014

Jiří Novotný
Committee member since August 29, 2014

Jiří Tyc
Committee member since August 29, 2014

Members of the Supervisory Board Strategy Committee whose membership terminated in 2014 or before the Annual Report closing date:

Vladimír Hronek
Committee member from February 24, 2012 to August 29, 2014

Jan Mareš
Committee member from December 19, 2013 to June 27, 2014

Vladimír Říha
Committee member from December 19, 2013 to June 27, 2014

Jiří Volf
Committee member from August 9, 2012 to June 27, 2014

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 the Chief Executive Officer and members of the Board of Directors that are employees of the Company,
- Makes recommendations to the Supervisory Board on the Board of Directors' proposals regarding appointments to the supervisory boards of companies in whose share capital ČEZ, a. s. has a stake exceeding CZK 500m.

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

Lubomír Charvát

Committee member since August 29, 2014

Radek Mucha

Committee member since April 30, 2013

Members of the Supervisory Board Personnel Committee whose membership terminated in 2014 or before the Annual Report closing date:

Jiří Kadrnka

Committee Chairman from April 30, 2013 to June 27, 2014,
Committee Vice-Chairman from December 16, 2010 to April 30, 2013,
Committee member from December 2, 2010 to June 27, 2014

Milan Bajgar

Committee member from August 9, 2012 to June 27, 2014

Audit Committee

Position and Powers of the Audit Committee

Without prejudicing 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,
- Assesses the effectiveness of internal control, internal audit and, if relevant, risk management systems within the company,
- Monitors the process of the mandatory audit of financial statements and consolidated financial statements,
- Reviews the independence of the statutory auditor and audit firm and in particular the provision of complementary services to the Company,
- Recommends an auditor to conduct the mandatory audit.

The external auditor notifies the Audit Committee, on an ongoing basis, of material facts ensuing from the mandatory audit, in particular any fundamental shortcomings in internal controls in relation to the compilation of financial statements or consolidated financial statements. Members of the Audit Committee attend the Company's General Meetings and are required to present the results of their activities to the General Meeting.

Composition and Activities of the Audit Committee

The Audit Committee has 5 members, who are elected and removed by the General 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. The Audit Committee elects its Chairman and Vice-Chairman. The term of each member of the Audit Committee is four years. The General 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 at the Company's registered office: Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Decision Making in the Audit Committee

The Audit Committee constitutes a quorum if a simple majority of all its members is present. Each member has one vote when making decisions. The Audit Committee makes decisions by a simple 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 simple 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.

Five regular meetings were held in 2014.

Members of the Audit Committee

Ján Dzvoník

Chairman of the Audit Committee since March 8, 2012
Member of the Audit Committee since June 1, 2011

A graduate of the Faculty of Management, University of Economics in Bratislava, Slovak Republic, majoring in automated financial management systems.

He gained managerial and professional experience in such positions as Deputy Minister of Defense and member of the Executive Committee of the National Property Fund of the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- Bryphoria Capital, s.r.o.—sole partner and Managing Director since March 11, 2015.
- ALIATROS spol. s r.o.—partner and Managing Director in 2008–2010,
- MERO ČR, a.s.—Chairman and member of the Supervisory Board in 2008–2014, member of the Audit Committee in 2009–2014,
- MERO Germany AG—member of the Supervisory Board in 2009–2014, Chairman of the Supervisory Board in 2012–2014,
- Poštovní tiskárna cenin Praha a.s.—member of the Board of Directors in 2012–2014.

Lukáš Wagenknecht

Vice-Chairman of the Audit Committee since July 10, 2014
Member of the Audit Committee since June 27, 2014

For personal details, see his entry under Supervisory Board.

Alena Kochová

Member of the Audit Committee since June 19, 2013

A graduate of the economic reporting and audit program of the University of Economics, Prague.

She gained managerial and professional experience in such positions as Head of Financial Accounting and Asset Records at the Directorate General of Finance, Head of Accounting at the Services Facility of the Ministry of the Interior of the Czech Republic, and Director of Economic Reporting at the Ministry of Finance of the Czech Republic.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- COREDA Audit s.r.o.—partner since July 3, 1996.

Andrea Káňová

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.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.

- Český Aeroholding, a.s.—member of the Audit Committee since July 2014,
- Česká exportní banka, a.s.—member of the Audit Committee since November 2014.
- Český institut interních auditorů, z.s.—member of the Board in 2013–2014.

- Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five years.

Radek Neužil

member of the Audit Committee since June 19, 2013

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

He gained managerial and professional experience in such positions as Secretary of the Chamber of Tax Advisers, which he represents in Confédération Fiscale Européenne (CFE) as a member of the Professional Affairs Committee. He became a qualified tax adviser in 2002. Besides being a member of the Executive Board of the Public Audit Oversight Board, he is also the Chairman of its Committee for Cooperation and Coordination in Audit and represents it in the European Group of Auditors' Oversight Bodies (EGAOB), an advisory body to the European Commission, and in the International Forum of Independent Audit Regulators (IFIAR). In 2011–2013, he was a member of the Ministry of Finance's Accounting and Audit Policies and Development Commission.

Number of ČEZ, a. s. shares as at December 31, 2014: 476.

- Public Audit Oversight Board—member of the Executive Board since 2009,
- KDP - DATEV Cooperative—acting executive member of the Board of Directors since 2010,
- Charles University in Prague—member of the Board of Trustees since 2011,
- O2 Czech Republic a.s.—Vice-Chairman of the Audit Committee since 2014,
- PASKI CLUB, v.o.s.—partner since October 4, 1995,
- Paski club (association)—Vice-Chairman since 1994,
- Eláán (association)—Chairman since 2002.
- Daňová akademie s.r.o. v likvidaci—Chairman and member of the Supervisory Board in 2008–2011, Managing Director in 2011–2012.

Members of the Audit Committee whose membership terminated in 2014 or before the Annual Report closing date:

Jiřina Vorlová

member of the Audit Committee from December 18, 2012 to June 27, 2014

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

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

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

- Remuneration of a member of the Supervisory Board—paid regularly every month
  a) Procedure until April 27, 2014: If a member of the Supervisory Board was temporarily incapacitated due to sickness or long-term absence, the member was entitled to remuneration for the period in question provided they delivered to the Chairman of the Supervisory Board a written opinion on the agenda before the Supervisory Board meeting started, unless the Supervisory Board decided otherwise. Granting of remuneration in the event of temporary incapacitation was decided by the Supervisory Board,
  b) Procedure since April 28, 2014: If a member of the Supervisory Board cannot temporarily perform activities associated with service on the Supervisory Board because of 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 cannot serve on the Supervisory Board, from the 31st calendar day to the end of their inability, is 50% of the stipulated monthly remuneration;

- Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five years.

- Remuneration of a member of the Audit Committee—paid regularly after the end of every calendar month
  a) Procedure until April 27, 2014: If a member of the Audit Committee was temporarily incapacitated due to sickness or long-term absence, the member was entitled to remuneration for the period in question provided they delivered to the Chairman of the Audit Committee a written opinion on the agenda before the Audit Committee meeting started, unless the Audit Committee decided otherwise. Granting of remuneration in the event of temporary incapacitation was decided by the Audit Committee,
  b) Procedure since April 28, 2014: If a member of the Audit Committee temporarily cannot perform activities associated with service on the Audit Committee because of 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 cannot 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 if approved by the General Meeting. The amount of the bonus for individual members of the Supervisory Board is determined pursuant to rules approved by the General 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. Terms and conditions for renting 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 travelling on business, members of the Supervisory Board receive meal and per diem allowances at rates above those set forth for Company employees by internal rules, reimbursement for other expenses at face value and insurance premium. Members of the Audit Committee travelling on business are provided with a meal allowance at the same level as Company employees, reimbursement for other expenses at face value and insurance premium. For business travel abroad, a per diem allowance is provided at the maximum rate stipulated by the Labor Code.

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

Board of Directors

Position and Powers of the Board of Directors

The Board of Directors is a statutory representation body that manages the Company and whose members act on the Company's behalf. It makes decisions on all Company matters unless they are reserved for the General Meeting, the Supervisory Board, or another body by law or the Company's by-laws. The Board of Directors may delegate decisions on certain matters to individual members of the Board of Directors within the meaning of Section 156(2) of the Civil Code, and to Company employees by means of internal rules approved by the Board of Directors. 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 General Meeting as long as they are in compliance with the law and the Company's by-laws.

The Board of Directors is competent, in particular, to:

- Take care of business management and proper bookkeeping,
- Call a General Meeting, make organizational arrangements for it, and present to it, in particular, the following:
  - Draft company business policy and draft amendments thereto,
  - Draft amendments to the Company's by-laws,
  - 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 earnings allocation including the amount, manner of pay-out, and due date of dividends, the amount of Board members' bonuses, and allocations to funds, 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(8) 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 General Meeting,
- Grant and revoke the power to sign on behalf of the Company,
- 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.

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 earnings allocation proposals, the Board of Directors' report pursuant to Section 82 of the Business Corporations Act, the manner of payment and due date of dividends, the amount of Board member bonuses, or a proposal for 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.

Composition and Activities of the Board of Directors

The Board of Directors has 7 members, 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 re-elected. The business address of members of the Board of Directors is at the Company's registered office: Duhová 2/1444, 140 53 Prague 4, Czech Republic.
Board of Directors meetings are held at least once a month; usually they are held weekly. In 2014, a total of 37 meetings were held: 30 regular meetings and 7 extraordinary meetings.

Decision Making in the Board of Directors

The Board of Directors constitutes a quorum if a simple majority of all its members are present. Each member has one vote. The Board of Directors makes decisions by a simple majority of the votes of all its members. The Board of Directors' meetings are governed by its Rules of Procedure, which are adopted and amended by a two-thirds vote of all Board of Directors 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 simple 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 ČEZ, a. s. 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 by-laws, 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,
- Raising the Company's share capital pursuant to Section 474 of the Business Corporations Act and Article 30 et seq. of the Company's by-laws 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 trade services, if so indicated in the Signature Rules of ČEZ, a. s.,
- 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-yearly and annual reports pursuant to the Capital Market Undertakings Act,
- Making agreements on the establishment of a business corporation or association, on the Company's acquisition of a stake in another legal entity, as well as on the dissolution of a business corporation or association or on the sale of the Company's stake in another legal entity,
- Alienation or lease of real estate, if so indicated in the Company's by-laws or the Signature Rules of ČEZ, a. s.,
- 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 500m,
- Company's capital projects,
- Handling stakes in other legal entities, based in the Czech Republic or abroad, under the terms and conditions specified in the Company's by-laws,
- Transfers and pledging of treasury stock,
- Granting a loan to third parties or providing a guarantee for a third-party debt; controlled entities are not deemed third parties,
- Accepting a long-term loan from a third party for a period of more than 1 year and other similar long-term financial operations,
- Issuing bonds other than those for which the consent of the General 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 do so,
- Company transformation pursuant to law,
- Enabling the conduct of due diligence (legal, financial, technical, and/or environmental audit) of the Company or any of its organizational units,
- Concluding management contracts with Company division directors that are not members of the Board of Directors and appointing the Chief Executive Officer,
- Defining and evaluating individual assignments for Company division directors that are not members of the Board of Directors.

Pursuant to the Company's by-laws, the Board of Directors must seek the Supervisory Board's approval to make some decisions and submit some decisions to the Supervisory Board for review and seek its opinion.
The Board of Directors may entrust its individual members with powers according to a certain field of management and function in the organization 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 division or department in question and carry out the rights and obligations of the employer in relation to its employees. 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 (e.g. signing contracts), they only use the title "member / Vice-Chairman / Chairman of the Board of Directors."
In connection with the new Civil Code (89/2012 Sb.) and Business Corporations Act (90/2012 Sb.) coming into effect on January 1, 2014, members of the Board of Directors are no longer involved in concurrent relations under labor law and business law. In this context, their employment contracts were terminated by agreement as of December 31, 2013 and amendments to their contracts on service on the Board of Directors were concluded in compliance with the new law as effective from January 1, 2014, combining all service-related arrangements between the Company and the members of the Board of Directors, especially all provisions on remuneration (i.e. including arrangements previously arising from management contracts under the Labor Code, stock option agreements, provisions on endowment life insurance, non-compete clauses, etc.) and some provisions previously governed by labor law into a single service contract.

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

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

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

Ivo Hlaváč
Member of the Board of Directors
and Chief Public and Regulatory Affairs Officer

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

Tomáš Pleskač
Member of the Board of Directors
and Division International Chief Officer

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

Members of the Board of Directors

Daniel Beneš

Chairman of the Board of Directors since September 15, 2011, re-elected with effect from December 17, 2013,
First 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 since December 15, 2005, re-elected with effect from December 17, 2013

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 Administration Officer, and Chief Operating Officer of ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.
Number of ČEZ, a. s. stock options as at December 31, 2014: 612,602.
Number of ČEZ, a. s. stock options as at March 31, 2015: 600,000.

- Technical University of Ostrava—member of the Board of Trustees since August 14, 2009 (six-year term),
- ČEZ Foundation—Chairman of the Board of Trustees since May 31, 2007, member of the Board of Trustees since March 26, 2007 (term ends July 16, 2015).
- 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.

Martin Novák

Vice-Chairman of the Board of Directors since October 20, 2011, re-elected with effect from May 22, 2012,
member of the Board of Directors since May 21, 2008, re-elected with effect from May 22, 2012

A graduate of the University of Economics, Prague, Faculty of International Relations, majoring in international trade and business 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 power industry. He has been a member of the 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 Director of Finance 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 Director of Accounting.

Number of ČEZ, a. s. shares as at December 31, 2014: 900.
Number of ČEZ, a. s. stock options as at December 31, 2014: 323,497.
Number of ČEZ, a. s. share options as at March 31, 2015: 323,497.

- Prague Stock Exchange, a.s.—member of the Supervisory Board since June 3, 2014 (five-year term).

Pavel Cyrani

member of the Board of Directors since October 20, 2011

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 in such positions as Director of Planning & Controlling and Director of Asset Management at ČEZ, a. s. as well as at McKinsey & Company where he worked until 2006.

Number of ČEZ, a. s. shares as at December 31, 2014: 216.
Number of ČEZ, a. s. stock options as at December 31, 2014: 236,256.
Number of ČEZ, a. s. stock options as at March 31, 2015: 236,256.

- Loyalty Consulting s.r.o.—Managing Director and partner 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 (until February 26, 2015).

Ivo Hlaváč

member of the Board of Directors since December 19, 2013

A graduate of the Faculty of Arts, Palacký University, Olomouc, and specialized programs at École nationale d'administration, Paris (France) and Geneva Center for Security Policy (Switzerland).
He gained managerial and professional experience in such positions as senior manager for the energy industry at Deloitte, First Deputy Minister of Regional Development, First Deputy Minister of Agriculture, Deputy Minister of the Environment for technical environmental protection of the Czech Republic, and Head of Public Affairs at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.
Number of ČEZ, a. s. stock options as at December 31, 2014: 120,000.
Number of ČEZ, a. s. stock options as at March 31, 2015: 120,000.

- Povodí Ohře, státní podnik—member of the Supervisory Board in 2011–2013.

- Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five years.

Michaela Chaloupková

member of the Board of Directors since October 20, 2011

A graduate of the Faculty of Law, University of West Bohemia, Pilsen. In 2007 she graduated from the Executive Master of Business Administration (MBA) program at the University of Pittsburgh's KATZ School of Business, specializing in the power industry.

She gained managerial and professional experience e.g. 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 executive positions in Procurement and Human Resources at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.
Number of ČEZ, a. s. stock options as at December 31, 2014: 234,153.
Number of ČEZ, a. s. stock options as at March 31, 2015: 234,153.

Tomáš Pleskač

member of the Board of Directors since January 26, 2006, re-elected with effect from January 28, 2014,
Second 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 Financial Director, Severomoravská energetika, a. s. and Deputy Director for Finance, Dukovany Nuclear Power Plant.

Number of ČEZ, a. s. shares as at December 31, 2014: 0.
Number of ČEZ, a. s. stock options as at December 31, 2014: 180,000.
Number of ČEZ, a. s. stock options as at March 31, 2015: 240,000.

- Akenerji Elektrik Üretim A. S.—Vice-Chairman of the Board of Directors since June 20, 2012; member of the Board of Directors since May 13, 2009 (term ends June 27, 2016),
- Akcez Enerji A.S.—Vice-Chairman of the Board of Directors since January 1, 2015; member of the Board of Directors since July 1, 2013 (term ends March 25, 2016),
- CM European Power International B.V.—Chairman of the Board of Directors since August 5, 2011; member of the Board of Directors since July 17, 2008, re-elected July 17, 2014 (term ends July 17, 2017). Vice-Chairman of the Board of Directors from September 5, 2008 to August 4, 2011.
- Mitteldeutsche Braunkohlengesellschaft mbH—member of the Supervisory Board in 2009–2012 (company sold).

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 Director of the Office of the Chief Executive Officer and the Board of Directors, and Director of Fuel Cycle at ČEZ, a. s.

Number of ČEZ, a. s. shares as at December 31, 2014: 15,000.
Number of ČEZ, a. s. stock options as at December 31, 2014: 120,000.
Number of ČEZ, a. s. stock options as at March 31, 2015: 120,000.

There are no members of the Board of Directors whose membership terminated in 2014 or before the Annual Report closing date.

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

The Board of Directors may set up working commissions, teams, and committees to facilitate its work. None were formed in 2014.

Remuneration of Members of the Board of Directors

Amendments to existing service contracts and new service contracts ("contracts") were concluded with existing and newly elected members of the Board of Directors, respectively, with effect from January 1, 2014 to comply with new laws (Civil Code No. 89/2012 Sb. and Business Corporations Act No. 90/2012 Sb.); they contain all service-related arrangements between the Company and the members of the Board of Directors. They incorporate all provisions on remuneration (i.e. stock option agreements, provisions on endowment life insurance, non-compete clause, etc.). Service contracts with members of the Board of Directors, including any consideration, are subject to approval by the Supervisory Board.

Members of the Board of Directors are appointed to manage the various divisions and organizational units.

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

- Monthly remuneration for members of the Board of Directors—Paid regularly after the end of every calendar month. If a member of the Board of Directors cannot temporarily serve on the Board of Directors because of 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 cannot serve on the Board of Directors, from the 31st calendar day to the end of their inability, is 50% of the stipulated monthly remuneration;

- Current membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures.
- Membership in governing bodies outside CEZ Group or in CEZ Group associates and/or joint ventures terminated in the past five years.

- Annual remuneration—Provided to members of the Board of Directors in addition to monthly remuneration; dependent on the fulfilment of criteria set by a decision of the Supervisory Board, which also assesses the fulfilment. 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 General 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 General Meeting;
- Bonus—Paid to members of the Board of Directors if approved by the General Meeting. The amount of the bonus for individual members of the Board of Directors is determined pursuant to rules approved by the General 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;
- Insurance—Members of the Board of Directors have endowment life insurance taken out at the Company's expense. Upon termination of office or the Company's withdrawal from the endowment life insurance contract, the policy is transferred to the member of the Board of Directors free of charge;
- Company car—Members of the Board of Directors are entitled to a company car for business and personal use. Terms and conditions for renting and using such cars are set forth in separate agreements. Company cars provided for personal and business use are subject to taxation; fuel consumption for personal use is paid for by the member of the Board of Directors through income deductions. 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 travelling on business, members of the Board of Directors receive meal and per diem allowances at rates above those set forth for Company employees by internal rules, reimbursement for other expenses at face value and insurance premium;
- 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—With regard to 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.

Committees of Members of the Board of Directors

Like 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 2014:

- The Committee for ČEZ, a. s. Plant Safety assesses the overall 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, quality issues, 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 was formed in conjunction with the establishment of a new primary area of management and security, deals with matters such as CEZ Group security policies, strategies, and objectives; threats; risks; analyses of security incidents; 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 develops and administers the integrated risk management system in accordance with CEZ Group's strategy, manages venture capital, continually monitors the overall impact of risks, and oversees risk management within CEZ Group. The Risk Committee is an advisory body to the member of the Board of Directors appointed to manage Finance (Chief Financial Officer).

Persons with Executive Authority

At ČEZ, a. s. the following are deemed to be persons with executive authority as defined by the Capital Market Undertakings Act: members of the Board of Directors, members of the Supervisory Board, and, until June 30, 2014, other persons with executive authority (division heads that were not members of the Board of Directors).

Impacts of the New Civil Code on CEZ Group's Governance

In connection with the new Civil Code (No. 89/2012 Sb.) and Business Corporations Act (No. 90/2012 Sb.) coming into effect, the positions of the Chief Executive Officer and all division heads have been held by members of the Board of Directors under authority delegated by the Board of Directors since January 1, 2014. A temporary exception was made for the Chief Sales Officer and the Chief Investment Officer, who were not members of the Board of Directors in 2014.
Members of the Board of Directors have thus been 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 divisions, including the Chief Executive Officer's division.

Description of the Delegated Powers of Members of the Board of Directors as at January 1, 2015

Daniel Beneš—Chief Executive Officer

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

The Chief Executive Officer carries out decisions of the Board of Directors and makes decisions on Company matters that are not reserved for the General Meeting, the Supervisory Board, or the Board of Directors.
In particular, the Chief Executive Officer coordinates the activities of division heads and manages CEO division departments as the supreme authority. He is also responsible for the Company's strategic and external affairs. He factually manages subsidiaries involved in coal mining and sales.

Division Heads

Martin Novák—Chief Financial Officer

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

Responsible for economic and financial management and for the effective set-up and functioning of support services. He is in charge of financing, central controlling, bookkeeping, taxes, risk management, mergers, acquisitions, and ownership interests.
He factually manages subsidiaries involved in information technology, corporate support services, and renewables.

Pavel Cyrani—Chief Sales and Strategy Officer

Member of the Board of Directors in charge of Sales and Strategy

Responsible for Trading and Sales, taking care of sales of generated electricity, trading, sales of energy products and services, and factual management of trade agencies abroad. He is responsible for strategy, taking care of market analyses, recommendations for business development and performance optimization, strategic asset management, project management within CEZ Group, and management of strategic projects for new nuclear units.
He factually manages subsidiaries involved in sales of electricity, natural gas, and mobile phone services to end customers, including customer services. In addition, he factually manages subsidiaries involved in developing energy services and construction of power sources.

Ivo Hlaváč—Chief Public and Regulatory Affairs Officer

Member of the Board of Directors in charge of Public Relations and Regulatory Affairs

Responsible for the management of public affairs. He is in charge of regulatory and legislative affairs in the energy sector at both European and domestic level.
He factually manages Czech Republic-based subsidiaries involved in the distribution of electricity to end customers, maintenance and repairs of distribution networks, and metering activities.

Michaela Chaloupková—Chief Administrative Officer

Member of the Board of Directors in charge of Administration

Responsible for procurement and sales (other than the procurement and sales of electricity, heat, certain process materials, and financial services); internationally, she is responsible for procurement in relation to the construction and comprehensive renovation of new and existing plants, and coordinates other procurement selling and logistic activities. She is also responsible for the management of human resources.

Tomáš Pleskač—Division International Chief Officer

Member of the Board of Directors in charge of International Affairs

Responsible for international business activities (other than the electricity wholesale business), for the management and development of renewable energy sources abroad, and for the construction and comprehensive renovation of new and existing conventional generating units abroad. He is in charge of regulatory affairs in distribution where they concern solely a foreign distribution license holder or renewable energy producer within CEZ Group and are not linked to or overlapping with any of CEZ Group's other lines of business.
He factually manages foreign subsidiaries other than foreign trade agencies.

Ladislav Štěpánek—Chief Production Officer

Member of the Board of Directors in charge of Production

Responsible for the safe and reliable generation of electricity and heat and for the construction and comprehensive renovation of new and existing conventional power plants in the Czech Republic.
He factually manages Czech Republic-based subsidiaries involved in electricity and heat generation, service activities, power plant upgrades and construction, and research on nuclear energy.

Persons with executive authority other than members of the Board of Directors and the Supervisory Board, whose membership terminated in 2014 or before the Annual Report closing date:

Peter Bodnár

Chief Investment Officer from January 1, 2008 to June 30, 2014

Alan Svoboda

Chief Sales Officer from January 4, 2005 to April 30, 2014

Division Head Remuneration Principles

Division head remuneration terms, defined in the manager contracts, were applied to the chief sales officer and chief investment officer, who were not members of the Board of Directors in 2014. Concluding manager contracts with division heads as well as defining and evaluating individual tasks and/or strategic bonuses were subject to the prior consent of the Supervisory Board.

The division heads (chief officers) received the following considerations while in office:

- Base monthly salary—Paid regularly for each calendar month. The base monthly salary was paid for hours worked;
- Annual bonus—Paid to the Chief Sales Officer in addition to his base monthly salary depending on fulfillment of predefined criteria. Recoverable advances on the annual bonus were paid every month together with the monthly salary. The total sum of recoverable advances paid might not exceed 45% of the maximum annual bonus. The final amount of the annual bonus was based on the level of fulfillment of CEZ Group's EBITDA indicator and the division's performance code;
- Strategic bonuses—A system of strategic bonuses tied to fulfillment of specific, long-term tasks in plant construction and renovation was used for the chief investment officer because of the different nature of the division managed by him. The bonuses were conditional on fulfillment of predefined criteria such as adherence to the schedule, budget, and specifications of individual projects;
- Stock options—Selected Company officers were entitled to options on the Company's common stock under the conditions set forth in a stock option agreement, based on the Board of Directors' decision and subject to approval by the Supervisory Board;
- Company car—Company officers were entitled to a company car for business and personal use; conditions were set forth in a special agreement. Cars provided for personal and business use were subject to taxation. Fuel consumption for personal use was paid for by the Company officer through income deductions. If a Company officer used their own car to discharge their duties, the costs associated with such use were reimbursed by the Company in compliance with applicable law;
- Insurance—Under rules approved by the General Meeting, the Company took out endowment life insurance policies in favor of its officers; upon termination of office or the Company's withdrawal from the endowment life insurance contract, the policy was transferred to the officer free of charge;
- Reimbursement of travel expenses—When traveling on business, Company officers received meal and per diem allowances at rates above those set forth by law;
- Severance pay—Provided in compliance with the Labor Code and conditions set forth in the applicable collective agreement;
- Cash compensation under the non-compete agreement—With regard to the nature of information, knowledge, and expertise gained by a Company officer during their employment, the employer undertook to provide the officer with a cash compensation upon employment termination, for the period and under the conditions set forth in the Non-Compete Agreement. The cash compensation was payable after each period of one month;
- Employee benefits—Company officers received premium health care and other benefits under the applicable collective agreement.

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	Board of Directors	Other persons with executive authority
Information on cash and in-kind income				
Base wage [1]	CZK thousands	2,300	N/A	9,023
Bonus linked to Company performance and wage compensation [1]	CZK thousands	50	55,194	15,532
Remuneration to members of Company governing bodies	CZK thousands	7,302	58,850	N/A
2013 bonus paid to members of governing bodies	CZK thousands	15,706	9,794	N/A
Severance pay and cash settlement	CZK thousands	N/A	983	22,064
Other cash income	CZK thousands	6,746	6,694	673
of which: Supplemental Pension Insurance contributions [1]	CZK thousands	62	79	7
endowment life insurance	CZK thousands	6,547	6,346	553
use of employee personal account [1]	CZK thousands	57	58	61
life jubilee bonus [1]	CZK thousands	72	N/A	N/A
domestic business travel reimbursement above limit	CZK thousands	N/A	6	N/A
international business travel reimbursement above limit	CZK thousands	9	150	52
other cash income	CZK thousands	N/A	55	N/A
Other in-kind income [1]	CZK thousands	687	2,333	381
of which: company car for business and personal use	CZK thousands	681	2,305	306
mobile telephone for business and personal use	CZK thousands	5	28	4
mobility program	CZK thousands	N/A	N/A	N/A
other in-kind income	CZK thousands	N/A	N/A	71
Income from entities controlled by the issuer	CZK thousands	1,774	9,210	752
of which: remuneration to members of governing bodies of controlled companies	CZK thousands	90	9,209	752
endowment life insurance	CZK thousands	N/A	1	N/A
company car for business and personal use [1]	CZK thousands	54	N/A	N/A
other cash and in-kind income	CZK thousands	1,629	N/A	N/A
Information on loans and securities				
Loans originated by the issuer	CZK thousands	N/A	N/A	N/A
Loans originated by entities controlled by the issuer	CZK thousands	N/A	N/A	N/A
Number of options held at December 31, 2013	pcs	N/A	1,456,508	345,000
average option price	CZK	N/A	682.26	748.50
Number of options to which a claim arose in 2014	pcs	N/A	610,000	N/A
average option price	CZK	N/A	593.34	N/A
Number of shares on which option was exercised	pcs	N/A	N/A	N/A
average option price	CZK	N/A	N/A	N/A
resulting in-kind income taxed	CZK millions	N/A	N/A	N/A
Number of shares on which option expired or was otherwise terminated	pcs	N/A	(240,000)	(125,000)
average option price	CZK	N/A	831.83	810.99
Number of shares for which the beneficiaries have ended their office	pcs	N/A	N/A	(220,000)
average option price	CZK	N/A	N/A	713.00
Number of options held at December 31, 2014	pcs	N/A	1,826,508	N/A
average option price	CZK	N/A	632.91	N/A
Number of Company shares at December 31, 2014 held by members of governing bodies and other persons with executive authority [2]	pcs	32,250	16,116	476

[1] Cash and in-kind income of Supervisory Board members in these items includes income from their present and/or past employment with the Company.
[2] Figures are for all persons who were members of governing bodies or classified as other persons with executive authority at December 31, 2014.

No beneficiary took advantage of their entitlement to buy shares under the stock option plan.

Information on stock options of members of ČEZ governance bodies and other persons with executive authority in this Annual Report is based on stock option agreements actually made before the relevant date. Included options are those for which all conditions set forth in the option agreement have been met and the beneficiary can already exercise the option on the relevant date, those that can be exercised in the future, and those for which all conditions set forth in the option agreement have not been met yet but will be possible to exercise in the future once the conditions are met.

Since January 1, 2014, stock option agreements previously made with members of the Board of Directors have been part of their service contracts.

Convictions for Fraud-Related Crimes During the Past Five Years

No member of the Supervisory Board or the Board of Directors or other person with executive authority has been convicted of a fraud-related crime.

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

Vladimír Vlk has been the Managing Director and sole member of EM Consult s.r.o. in liquidation since September 30, 1996. Based on the sole member's decision, the company was dissolved with liquidation at July 1, 2010.

Radek Neužil was chairman and member of the Supervisory Board of Daňová akademie s.r.o. v likvidaci (company in liquidation) in 2008–2011 and its Managing Director in 2011–2012.

Martin Novák was member of the Board of Directors of Bytové družstvo Vyhlídka, v likvidaci (housing cooperative in liquidation), which was transformed into Společenství vlastníků jednotek Suchý vršek 2101–2106, where he is a member of the board. The liquidation of the cooperative was successfully completed on May 13, 2013.

Official Public Charges or Penalties by Governance or Regulatory Bodies (Including Designated Professional Bodies) and/or Disqualification from Service on Administrative, Managing, or Supervisory Boards by a Court

Alan Svoboda was charged with insider trading pursuant to Section 128(1) and (3) of the Penal Code in 2006. A decision of the Municipal Court in Prague of March 18, 2009 dismissed the criminal charges and referred the case to the Czech National Bank to complete investigation of a possible misdemeanor. In administrative proceedings, the Czech National Bank ruled there had been a misdemeanor concerning trading in ČEZ, a. s. shares in 2005. Alan Svoboda brought an administrative action seeking reversal of the Czech National Bank's ruling. On April 3, 2012, the Municipal Court in Prague reversed, with full legal force, the Czech National Bank's ruling on the misdemeanor.

Information on Employment or Other Contracts with the Issuer and/or its Subsidiaries Along with a Description of Benefits Received upon Termination of Employment

Members of the Supervisory Board carry out the duties of their office under a contract on service on the ČEZ, a. s. Supervisory Board; members of the Audit Committee do so under a contract on service on the ČEZ, a. s. Audit Committee. The contracts include a non-compete clause. Some members of the Supervisory Board and the Audit Committee have agreements on use of a company car.

Two heads of divisions that were not members of the Board of Directors carried out their duties under employment and manager contracts, which included only standard provisions in compliance with the Labor Code and collective agreement. Non-compete agreements were concluded with the two division heads. One of the division heads remains within CEZ Group; the other received severance pay pursuant to law as the conditions set forth in the Labor Code and collective agreements had been met.

Potential Conflicts of Interest

No conflict of interest occurs for any person with executive authority in relation to their role at ČEZ, a. s.

Agreements on Selection for an Existing Position on the Supervisory Board or the Board of Directors with Major Shareholders or Other Entities

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

Agreement with the Issuer Concerning Restrictions on Disposal of Its Securities

Under their stock option agreements, beneficiaries of the stock option plan having called an option must keep on their account with the central registrar of securities 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.

Corporate Governance Compliance

Our corporate governance is based on the recommendations of the 2004 Corporate Governance Codex, in the drafting of which in the Czech Republic ČEZ, a. s. took part and whose provisions complies with in all material respects. The Codex was prepared under the auspices of the then Czech Securities Commission and can be found on the website of the Ministry of Finance of the Czech Republic at www.mfcr.cz/cs/archiv/agenda-byvaleho-fnm/sprava-majetku/kodex-spravy-a-rizeni-spolecnosti-corpor/kodex-spravy-a-rizeni-spolecnosti-zaloze-14620 [1].
Important information on the Company's governing bodies, a description of how they are established, their current composition, a description of how their members are remunerated, and a list of Supervisory Board committees can be found in the chapter Governing Bodies of ČEZ, a. s. in this Annual Report. ČEZ, a. s. complies with all applicable statutory provisions (in particular, those of the Business Corporations Act effective since January 1, 2014) regarding the protection of shareholder rights, convenes its General Meetings and ensures equal treatment of all shareholders.
As an issuer of securities admitted to trading on the Warsaw Stock Exchange (WSE), ČEZ, a. s. is obligated to comply with the codex published by that stock exchange. The current text of the WSE Codex in Polish and English can be found on the Warsaw Stock Exchange's website at www.gpw.pl/pub/files/PDF/foldery/dobre_praktyki_GPW.pdf [2].

In its activities, ČEZ, a. s. takes into account all material rules of the WSE Codex; nevertheless, ČEZ's practices departed from the provisions of the WSE Codex in 2014 in the following cases for the reasons set out below:

1) The WSE Codex requests that General Meeting invitations include biographical and other information on persons nominated to serve on the Supervisory Board. Since those persons are nominated by the shareholders, ČEZ, a. s. has no means of obtaining the information on nominees from the shareholders.
2) Concerning the manner of replacing the audit firm auditing its financial statements, ČEZ, a. s. adheres to the applicable Auditors Act, No. 93/2009 Sb., which contains comprehensive regulations for these matters; therefore, ČEZ, a. s. deems it unnecessary to set rules on the matter in an internal directive that would have to be published on the Company website, as required by the WSE Codex.
3) ČEZ, a. s. requires members of the Supervisory Board to provide the Company every year with a solemn declaration of any possible conflicts of interest that, in the opinion of ČEZ, a. s., includes their relationships (financial, family) with shareholders having at least 5% of the voting rights at a General Meeting, the identification of which is required by the WSE Codex.

1 www

2 pdf

4) The WSE Codex requires that at least two members of the Supervisory Board be independent of ČEZ and affiliated entities. This criterion was fulfilled as at December 31, 2014; however, the Company generally has no means to ensure fulfilment since members of the Supervisory Board are elected by shareholders and hence ČEZ, a. s. has no influence over the composition of the Supervisory Board.
5) In general, ČEZ, a. s. does not prohibit representatives of the mass media from being present at a General Meeting of ČEZ, a. s. as long as they are Company shareholders.
6) According to the WSE Codex, dividend pay-out should begin as early as possible after the dividend record date, and no later than within 15 business days. This matter is not regulated in ČEZ, a. s. internal directives; therefore the company always deals with it on an as-needed basis in the General Meeting decision on dividend pay-out.
7) The WSE Codex requires that shareholders be allowed to attend the General Meeting electronically, through one or more of the following:
   - Direct broadcast of the General Meeting,
   - Two-way real-time communication allowing shareholders to enter the debate even if they are not present in the location where the General Meeting is taking place.

   Shareholders have the option of being represented by an authorized agent who attends the General Meeting directly, in person. To enable shareholders to participate in the General Meeting remotely, the Business Corporations Act effective since January 1, 2014 requires adequate provisions in the Company's by-laws. For technical and organizational reasons related to organizing its General Meetings, ČEZ has decided not to include in its Company's by-laws the possibility for shareholders to use the above-mentioned remote access methods to attend a General Meeting.
8) In respect of providing and publishing answers to shareholders' questions, ČEZ adheres to applicable law, which requires that shareholders' questions be answered at a General Meeting. Explanations on individual agenda items may also be provided to shareholders by publishing them on the Company website no later than one day prior to the General Meeting and, subsequently, these are made available at the General Meeting itself as well. Questions and answers are included in the minutes of the General Meeting, which are available to shareholders upon request. Contrary to what is required by the WSE Codex, ČEZ, a. s. does not publish them on its website. ČEZ, a. s. deems this manner of providing answers to shareholders' questions sufficient.
9) The WSE Codex requires that the Company publishes an audio and/or video recording of its General Meeting on its website. ČEZ, a. s. provides written minutes of the Company's general meetings to any shareholder upon request pursuant to the Business Corporations Act. The Company considers this procedure sufficient.

Approach to Risks in Relation to Financial Reporting

Pursuant to the Accounting Act, ČEZ, a. s. keeps its books in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The obligation under the Income Tax Act to also report figures without the influence of international accounting standards is met by maintaining a parallel general ledger pursuant to the Czech Accounting Standards (CAS). Outputs from the CAS general ledger are used for tax purposes only.

The books of selected subsidiaries are kept by ČEZ Korporátní služby, s.r.o. in accordance with Czech accounting regulations and, at the same time, accounting data according to IFRS is collected for consolidation, evaluation, and planning purposes. The dual general ledger (CAS and IFRS) functionality is implemented for most of these selected subsidiaries as well.

Accounting processes at ČEZ and the selected subsidiaries are governed by shared internal regulations, which are issued by ČEZ, a. s. and applicable also to such subsidiaries, or by internal regulations that are issued by the parent company and the subsidiaries individually but based on unified rules. The principles contained in these internal regulations are elaborated on in operating procedures and guidelines describing specific parts of the accounting process.

Unified accounting policies followed at ČEZ and its 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 used to prepare CEZ Group consolidated financial statements are specified in the Rules of Consolidation.

The circulation of accounting documents is governed by an individually issued internal regulation. As a rule, any accounting document may only be entered into the books on the basis of approved supporting documents. Approval takes place either in writing for documents delivered to the accounting department in hard copy form, or electronically through the approval process in SAP (enterprise information system) for documents delivered in electronic form. The scope of each approver's authority to sign 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 by the owner of the accounting process. Access privileges are granted according to each employee's position. Only employees of the relevant accounting department have privileges for active operations (posting) in the accounting system. All logins to the accounting system are recorded 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 accurate.

The correctness of the accounts and financial statements is checked on an ongoing basis by the accounting unit. In addition, they are audited by an external auditor, who carries out the audit of individual and consolidated financial statements as at the balance sheet date, i.e. December 31. Selected accounting areas are also subject to an internal audit to determine 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 the system of internal controls at ČEZ a. s., the process of compiling individual financial statements of ČEZ, a. s. and consolidated financial statements of CEZ Group, and the process of external audit of those financial statements are also checked 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(8) of the Capital Market Undertakings Act, on Certain Aspects of the Equity of ČEZ, a. s.

The summary explanatory report on certain equity aspects pursuant to Section 118(8) of the Capital Market Undertakings Act is based on the requirements set forth in Section 118(5)(a) through Section 118(5)(k) of said Act.

As at December 31, 2014, 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 the Czech Republic and the Warsaw Stock Exchange in Poland and are transferable without limitations. No other securities issued by ČEZ, a. s. are limited in their transferability, nor are any special rights attached thereto.

Treasury shares were carried in the amount of CZK 4,381,867,000, which is their historical cost.

Retained earnings and additional paid-in capital totaled CZK 156,714,737,000.

As at December 31, 2014, the following entities were recorded as having stakes of at least 1% in the share capital of ČEZ, a. s.:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic, with a combined total stake of 69.78% in the stated capital.
  The Czech Republic's shareholding allows it to exercise direct control over ČEZ using conventional means, in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report, which is a public document under Czech law and is attached to the Annual Report.
- Clearstream Banking, S.A., having a stake of 3.32% in the share capital,
- Chase Nominees Limited, having a stake of 2.40% in the share capital,
- State Street Bank and Trust Co., having a stake of 1.90% in the share capital,
- Brown Brothers Harriman, having a stake of 1.69% in the share capital,
- Nortrust Nominees Limited, having a stake of 1.67% in the share capital.

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

As regards limitations on voting rights associated with some shares, ČEZ, a. s. as a rule does not execute the voting rights attached to treasury shares that it acquired on the basis of a General Meeting resolution. As at December 31, 2014, ČEZ, a. s. held 3,875,021 treasury shares, i.e. 0.72%.
ČEZ is not aware of any agreements among its shareholders that could result in any limitations on the transfer of its shares or voting rights.
Company's by-laws may be amended by the General Meeting by a qualified, two-thirds majority of votes present.
The Board of Directors is a statutory body managing the Company's activities and acting on its behalf. Members of the Board of Directors are elected and removed by the Supervisory Board by a simple majority vote in compliance with the Company's by-laws. The Board of Directors makes decisions on all Company matters unless they are reserved for the General Meeting, the Supervisory Board, or another body by law or the Company's by-laws. The Board of Directors has no special powers other than those listed above.
ČEZ, a. s. has entered into significant contracts that will become effective, change, or expire if the control over ČEZ changes as a result of a takeover bid. They are the 7th, 8th, 11th, 12th, 13th, 14th, 19th, 20th, 21st, 23rd, 24th, and 30th Eurobond issues; the 1st, 2nd and 4th Namensschuldverschreibung issues; the 1st and 2nd US bond issues; the issue of convertible bonds of February 4, 2014; a bill of exchange program; loan agreements with the European Investment Bank for EUR 100m signed in 2010, for EUR 180m signed in 2011, for EUR 100m signed in 2012, for EUR 200m signed in 2014; and a EUR 200m guarantee agreement with the European Investment Bank made for the benefit of a Romanian subsidiary in 2010. In all of 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 reduced ČEZ's credit rating due, in full or in part, to the change in controlling entity. A reduction in the existing credit rating is defined as any change from investment grade to non-investment grade, any lowering of original non-investment grade, or non-determination of investment grade if no rating was given at all. The above reduction would have to take place in the period from the public disclosure of the step that could result in the change in controlling entity to 180 days after the announcement of the change in controlling entity.
The counterparty could not exercise its right to early repayment if, following the actual change in the controlling entity, the rating agency re-evaluated its position and restored ČEZ's investment grade or original non-investment grade rating within the period defined above. The contractual provisions on change in control over ČEZ should be seen in the context of ČEZ's credit rating, which in 2014 was A- (with a stable outlook) from Standard & Poor's and A2 (with a negative outlook) from Moody's, i.e. four and five levels, respectively, above the agencies' highest non-investment-grade ratings. The change-of-rating condition does not apply to the loan agreements with the European Investment Bank totalling EUR 780m, under which the counterparty's right becomes effective as soon as the control over ČEZ, a. s. changes.
At ČEZ, remuneration of top managers 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.
Under the stock options rules, approved by the General 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 purchase price per share is determined as the weighted average of prices at which Company shares were traded on the regulated market in the Czech Republic during one month before the annual option 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 in 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 at most 100% compared to the purchase 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 2014 there were four people among employees and members of the Board of Directors who owned shares of stock obtained through the stock option plan. None of the people exercised their right to attend the General Meeting of ČEZ, a. s. as a company shareholder or any other associated rights. All four people exercised their right to dividend.
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

Europe's energy sector continued to be characterized by market and regulatory uncertainties in 2014. In view of the economic and political developments, individual European countries strive to ensure their energy self-sufficiency, which is crucial for their safety, people's satisfaction, and their economy. Concurrently, technologies and business models are developing intensively and products and services are getting interconnected across sectors. CEZ Group realizes it has to respond proactively to those changes. That was one of the reasons why CEZ Group updated its mission and vision in 2014. CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. CEZ Group's vision is to bring innovation to resolve energy needs and help to improve the quality of life.

CEZ Group's current strategy integrates initiatives undertaken in the past three years, which will allow it to remain a modern corporation providing safe and reliable power for its customers and society. The practical fulfilment of CEZ Group's strategy pivots on three strategic priorities announced in 2014:

I. Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century

We want to operate power assets as efficiently as possible from the point of view of both shareholders and customers. We want to proactively react now to the power sector's future with a large proportion of decentralized and zero-emission production and diminishing differences between producers and consumers. Initiatives in this area are structured according to the main groups of assets:

- Nuclear power plants—Implementing long-term operation programs at Dukovany and Temelín; making a continuous effort to increase capacity and availability; developing new unit projects at Temelín and Dukovany in line with the State Energy Policy and in cooperation with the Czech government;
- Coal-fired power plants and mines—Completing the renovation of lignite-fired power plants and making the most of the service life of the power plants and the mines that supply them with coal; preparing all units for future requirements: flexibility, low emissions, high efficiency;
- Heating—Efficiently operating and developing promising district heating systems while making preparations for the decentralization of heating plant systems;
- Distribution—Continually improving the efficiency of distribution grid operation; making preparations for operation under the conditions of growing share of decentralized generation.

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

We want to offer our customers partnership, expertise, tools, and financing to meet their energy needs—customers are much more active in the control of their electricity and gas consumption and use in general as well as in their own production. We want to complement this with additional products that have synergy with the sale of electricity and gas. Subsidiary goals have been defined within the second pillar—achieving excellent customer care in the sale of electricity and gas; expanding our offer to include additional products that have synergies with energy commodities or aim to satisfy customers' energy needs; launching new business models—from equipment deliveries to electricity generation and supplies at the customer's point of consumption to financing and related services.

III. Strengthen and consolidate our position in Central Europe

We want to maintain our position among the top 10 energy companies in Europe. CEZ Group's size allows us to take advantage of major synergies in the operation of our assets and when offering new products and serving our customers. We focus our attention on regions and countries that are close to both ČEZ and the Czech Republic in terms of energy markets, economy, and politics and culture; however, undisputed profitability remains the key indicator. There are also concurrent initiatives aiming to mitigate the risks of unpredictable developments in the countries that CEZ Group operates in—optimizing the capital and ownership structure, possible divestment of selected assets.

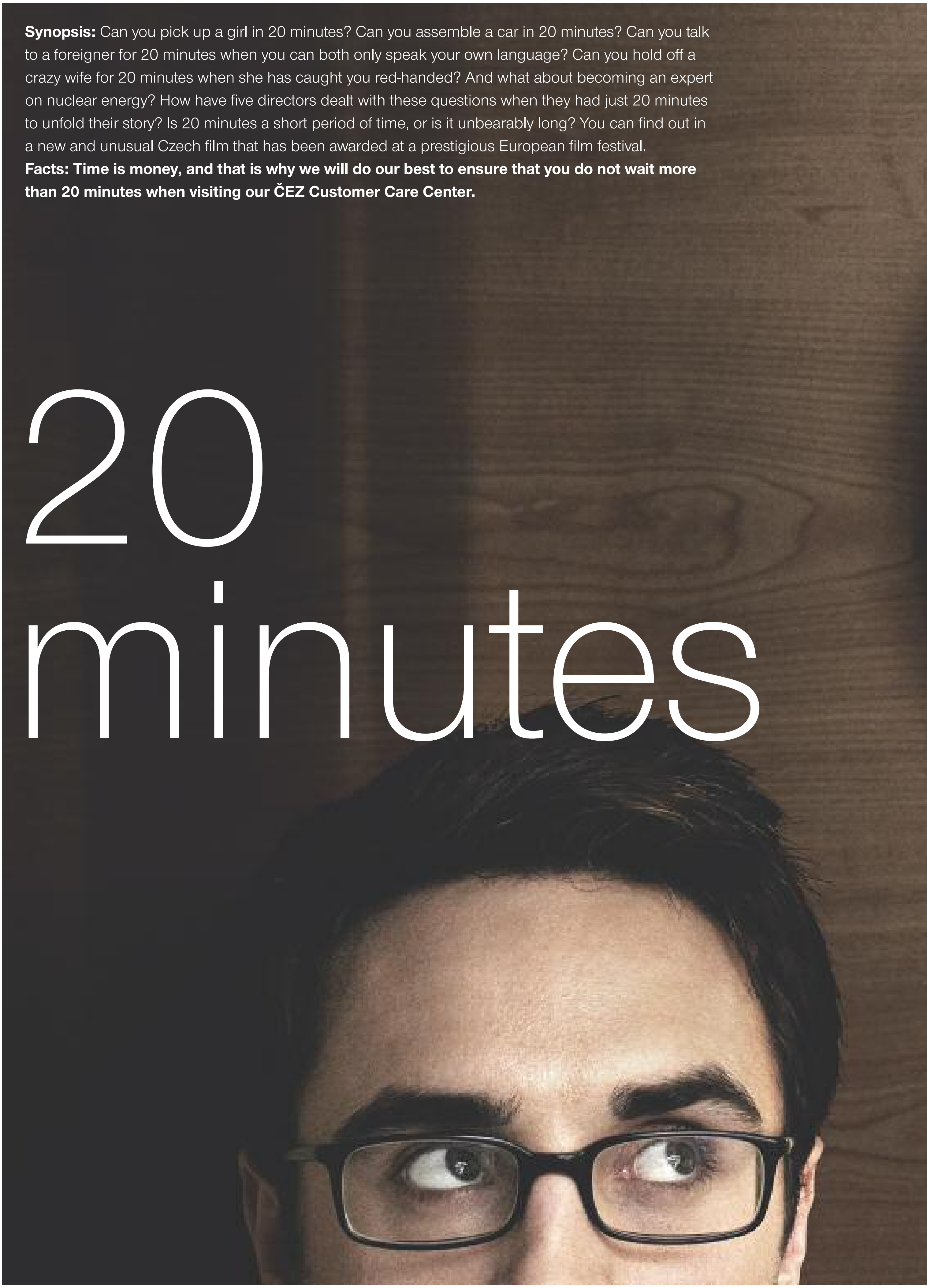
The defined strategy is implemented most importantly through these strategic programs:

1) New Nuclear Facilities,
2) Long-Term Operation of Dukovany Nuclear Power Plant,
3) Consolidation Abroad,
4) Renewables,
5) Customer Orientation,
6) New Energy Sector,
7) Performance and Enterprise.

Synopsis: Can you pick up a girl in 20 minutes? Can you assemble a car in 20 minutes? Can you talk to a foreigner for 20 minutes when you can both only speak your own language? Can you hold off a crazy wife for 20 minutes when she has caught you red-handed? And what about becoming an expert on nuclear energy? How have five directors dealt with these questions when they had just 20 minutes to unfold their story? Is 20 minutes a short period of time, or is it unbearably long? You can find out in a new and unusual Czech film that has been awarded at a prestigious European film festival.

Facts: Time is money, and that is why we will do our best to ensure that you do not wait more than 20 minutes when visiting our ČEZ Customer Care Center.

20 minutes



episode 333

STARRING volunteers–nonprofessional actors and Customer Care Center
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Report on Operations
Financial Performance of CEZ Group

As at December 31, 2014, the consolidated CEZ Group comprised a total of 106 companies, with 89 companies fully consolidated and 17 joint ventures consolidated using the equity method.

CEZ Group Consolidated Unit as at December 31, 2014

The companies of the consolidated accounting unit of CEZ Group are divided into seven operating segments.

Power Production & Trading Central Europe

ČEZ, a. s.
A.E. Wind sp. z o.o.
Areál Třeboradice, a.s.
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.
CEZ Bosna i Hercegovina d.o.o.
CEZ Deutschland GmbH
CEZ Chorzow B.V.
CEZ MH B.V.
CEZ Poland Distribution B.V.
CEZ Produkty Energetyczne Polska sp. z o.o.
CEZ Silesia B.V.
CEZ Srbija d.o.o.
CEZ Towarowy Dom Maklerski sp. z o.o.
CEZ Trade Albania Sh.P.K.
CEZ Trade Romania S.R.L.
ČEZ Bohunice a.s.
ČEZ Energetické produkty, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ OZ uzavřený investiční fond a.s.
ČEZ Recyklace, s.r.o.
ČEZ Teplárenská, a.s.
Eco-Wind Construction S.A.
Elektrárna Dětmarovice, a.s.
Elektrárna Mělník III, a. s.
Elektrárna Počerady, a.s.
Elektrárna Tisová, a.s.
Elektrociepłownia Chorzów ELCHO sp. z o.o.
Elektrownia Skawina S.A.
Elektrownie Wiatrowe Lubiechowo sp. z o.o.
Energetické centrum s.r.o.
Energotrans, a.s.
Farma Wiatrowa Leśce sp. z o.o.
Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o.
MARTIA a.s.
Mega Energy sp. z o.o.
Tepelné hospodářství města Ústí nad Labem s.r.o.
CM European Power International B.V. *)
CM European Power Slovakia, s. r. o. *)
ČEZ Energo, s.r.o. *)
Jadrová energetická spoločnosť Slovenska, a. s. *)
JESS Invest, s. r. o. *)

Power Production & Trading Southeast Europe

Bara Group OOD
CEZ Bulgarian Investments B.V.
Free Energy Project Oreshets EAD
M.W. Team Invest S.R.L.
Ovidiu Development S.R.L.
Taidana Limited
TEC Varna EAD
TMK Hydroenergy Power S.R.L.
Tomis Team S.R.L.
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. *)
Akkur Enerji Üretim Ticaret ve Sanayi A.S. *)
AK-EL Kemah Elektrik Üretim ve Ticaret A.S. *)
AK-EL Yalova Elektrik Üretim A.S. *)
Egemer Elektrik Üretim A.S. *)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S. *)

Distribution & Sale Central Europe

CEZ Magyarország Kft.
CEZ Slovensko, s.r.o.
CEZ Trade Polska sp. z o.o.
ČEZ Distribuce, a. s.
ČEZ ESCO, a.s.
ČEZ Prodej, s.r.o.

Distribution & Sale Southeast Europe

CEZ Distributie S.A.
CEZ Elektro Bulgaria AD
CEZ Razpredelenie Bulgaria AD
CEZ Trade Bulgaria EAD
CEZ Vanzare S.A.
Shared Services Albania Sh.A.
Akcez Enerji A.S. *)
Sakarya Elektrik Dagitim A.S. *)
Sakarya Elektrik Perakende Satis A.S. *)

Mining Central Europe

CEZ International Finance B.V.
Severočeské doly a.s.
LOMY MOŘINA spol. s r.o. *)

Other Central Europe

Centrum výzkumu Řež s.r.o.
CEZ Finance Ireland Ltd.
CEZ International Finance Ireland Ltd.
CEZ Polska sp. z o.o.
ČEZ Distribuční služby, s.r.o.
ČEZ Energetické služby, 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.
ČEZ Nová energetika, a.s.
ČEZ Zákaznické služby, s.r.o.
EVČ s.r.o.
PRODECO, a.s.
Revitrans, a.s.
SD - Kolejová doprava, a.s.
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Telco Pro Services, a. s.
ÚJV Řež, a. s.

Other Southeast Europe

CEZ Bulgaria EAD
CEZ Romania S.A.
CEZ Ukraine LLC

*) Joint venture

Selected Indicators of CEZ Group in Accordance with IFRS

	Unit	2013	2014	2014/2013 Index (%)
Installed capacity	MW	15,166	16,038	105.7
Electricity generated (gross)	GWh	66,625	63,124	94.7
Electricity sold [1]	GWh	36,511	35,139	96.2
Heat sold [1]	TJ	24,633	21,276	86.4
Gas sold [1]	GWh	6,108	5,417	88.7
Workforce head count as at December 31	persons	26,582	26,255	98.8
Operating revenues	CZK millions	216,988	200,657	92.5
of which: sales of electricity and related services	CZK millions	189,356	173,819	91.8
EBITDA	CZK millions	81,994	72,498	88.4
EBIT	CZK millions	45,690	36,946	80.9
Net income	CZK millions	35,207	22,432	63.7
Adjusted net income [2]	CZK millions	38,178	29,454	77.1
Earnings per share-basic	CZK/share	67.2	41.9	62.4
Dividend per ČEZ, a. s. share (gross) [3]	CZK/share	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	72,202	70,920	98.2
Capital expenditures (CAPEX) [4]	CZK millions	(43,586)	(34,412)	79.0
Investments [5]	CZK millions	(962)	(68)	7.1
Total assets	CZK millions	640,394	627,870	98.0
of which: property, plant and equipment [6]	CZK millions	425,662	426,542	100.2
Equity (including non-controlling interests)	CZK millions	262,766	265,851	101.2
Net debt	CZK millions	156,426	147,245	94.1
Return on Invested Capital (ROIC)	%	7.9	6.3	79.7
Return on Equity, net (ROE)	%	14.1	8.6	61.0
Net debt / EBITDA	1	1.91	2.03	106.3

[1] Sales to end 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).
[3] Declared in a given year to be paid out of the previous year's income.
[4] Additions to property, plant and equipment and intangibles.
[5] Acquisition of subsidiaries and joint ventures, net of cash acquired.
[6] Property, plant and equipment (including nuclear fuel and construction work in progress).

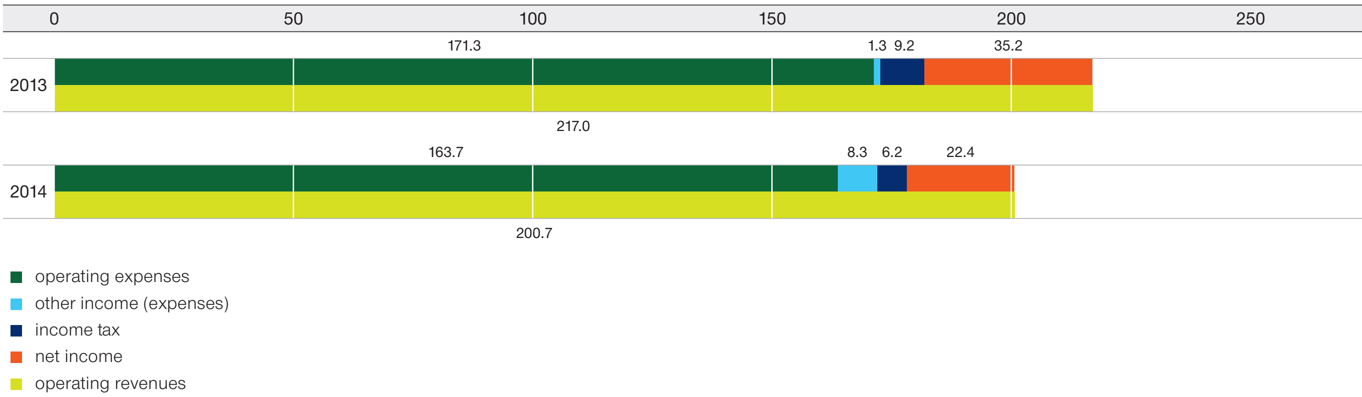
Trends in Revenues, Expenses, and Profits

Earnings before depreciation and amortization, allowances, sale of property, plant and equipment and intangibles, and write-off of cancelled investments (EBITDA) decreased by CZK 9.5bn year-on-year to CZK 72.5bn. Net income fell by CZK 12.8bn year-on-year to CZK 22.4bn.

The main factors behind the year-on-year decline of income after tax are a drop in the sale prices of power, the extremely warm and dry weather in 2014, a lower volume of power generated, mainly in our coal-fired power plants, and the reduction of governmental subsidies of the wind farms in Romania.

On the other hand, there were positive effects of reductions in fixed operating expenses, the settlement agreement with Albania, settlement of old receivables in the Romanian distribution business, and debt set-off in Bulgaria. The lower year-on-year income can also be attributed to the extraordinary income from selling the Chvaletice Power Plant and the exclusion of the distribution and sales company of CEZ Shpërndarje from the consolidated accounts of CEZ Group in 2013.

CEZ Group Net Income Breakdown (CZK billions)



Operating revenue decreased by CZK 16.3bn year-on-year as there was a significant drop in the sales of power and related services (CZK -15.5bn) due to the year-on-year decline of the selling prices of electricity, lower volume of power generated, and the above-average warm and dry year of 2014. The weather factor also resulted in lower revenues from the sale of gas, coal and heat (CZK -2.1bn). When comparing operating revenues year-on-year, there was also a positive effect of a change in the fair value of commodity derivatives (CZK +1.3bn), in particular due to the termination of a long-term contract with CA-CIB.

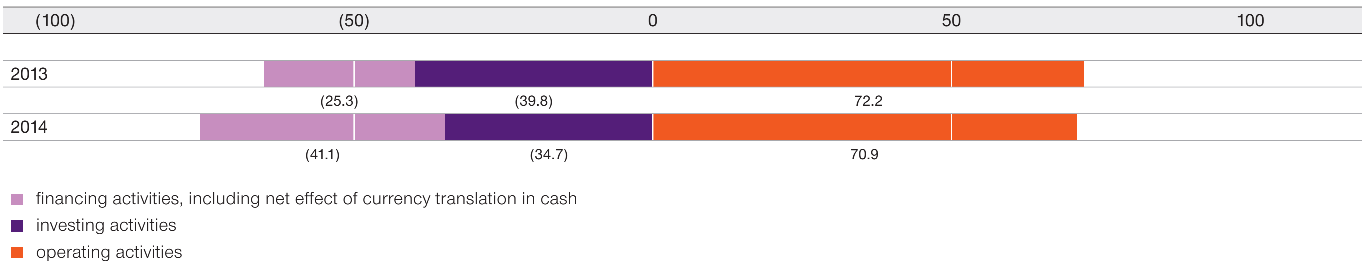
Operating expenses declined by CZK 7.6bn year-on-year, primarily due to a lower purchase cost of power and related services (CZK +3.0bn), which was a result of declining prices and volumes, analogously to the related revenues. Operating expenses were positively influenced by the settlement agreement with Albania (CZK +2.6bn) and reductions in fixed operating costs (CZK +1.3bn).

Other income (expenses) decreased income by CZK 7.0bn year-on-year due to the sale of the Chvaletice Power Plant in 2013 (CZK -3.0bn), exclusion of CEZ Shpërndarje from the consolidated accounts in 2013 (CZK -1.8bn), revaluation of MOL shares (CZK -1.8bn), and the reduced share of CEZ Group in income generated by joint ventures due to their worse financial performance (CZK -0.3bn).

Income tax dropped by CZK 3.0bn due to lower earnings before taxes.

Cash Flows

CEZ Group Cash Flows (CZK billions)

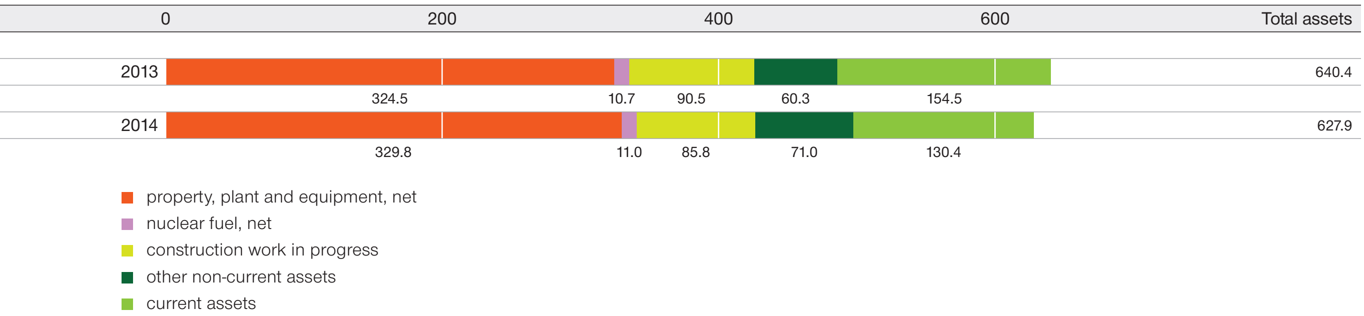


Cash flows from operating activities decreased by CZK 1.3bn year-on-year. Income before income taxes adjusted for non-cash operations decreased year-on-year (CZK -11.2bn), the change in working capital had a positive year-on-year effect (CZK +8.2bn), increasing cash provided by operating activities in 2014. The main cause of the positive change in working capital was a year-on-year decrease in liquid securities (CZK +4.8bn), a year-on-year change in receivables and payables on account of taxes and fees other than income tax (CZK +1.2bn), and a year-on-year change in other working capital items (CZK +2.2bn). Income tax paid decreased year-on-year (CZK +1.5bn), increasing cash from operating cash flow.
Cash used in investing activities decreased by CZK 5.2bn year-on-year, primarily due to a year-on-year decrease in capital expenditure (CAPEX) on property, plant and equipment and intangibles (CZK +9.2bn), year-on-year decrease in additions to long-term financial assets (CZK +2.0bn), year-on-year decrease in acquisitions of subsidiaries (CZK +0.9bn), and year-on-year decrease in the balance of loans granted and repayments (CZK +0.4bn). By contrast, a negative effect on the year-on-year comparison was produced by proceeds from the sale of the Chvaletice Power Plant in 2013 (CZK -4.1bn), a year-on-year decrease in proceeds from the sale of fixed assets (CZK -2.1bn), and the year-on-year effect of changes in payables from the acquisition of fixed assets (CZK -1.4bn).
Cash used in financing activities, including the effect of currency translation on cash, grew by CZK 15.8bn year-on-year. The main reasons were lower balance of loans and repayments (CZK -13.6bn) year-on-year, a year-on-year lower growth of long-term liabilities (CZK -1.6bn) resulting mainly from the receipt of a security deposit from Vršanská uhelná in H1 2013 in the amount of CZK 1.3bn, and year-on-year change in the net effect of currency translation on cash flow (CZK -0.46bn).

Structure of Assets and Liabilities

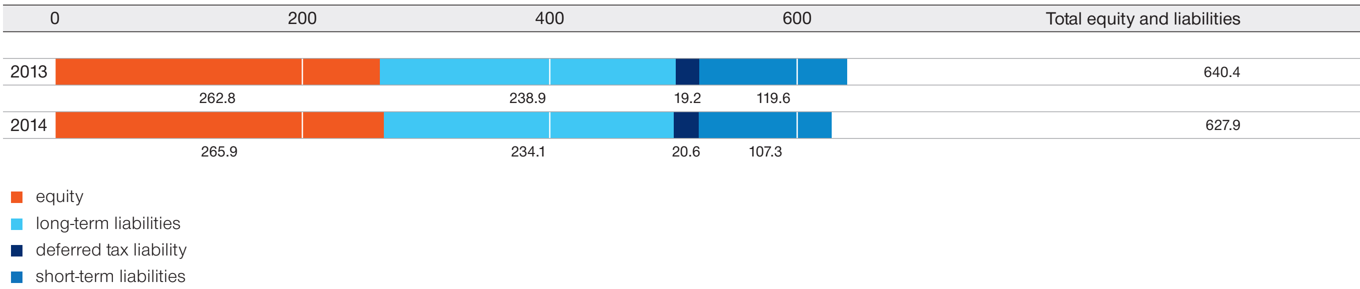
The value of CEZ Group's consolidated assets and liabilities declined by CZK 12.5bn year-on-year, reaching CZK 627.9bn.

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



Fixed assets rose by CZK 11.6bn to CZK 497.5bn.
The value of property, plant and equipment, nuclear fuel, and construction work in progress increased by CZK 0.9bn year-on-year. An increase in net property, plant and equipment of CZK 5.3bn was partially compensated for by a decrease of CZK 4.7bn in construction work in progress, including advance payments, due to putting the completed investment projects into service. Nuclear fuel was up CZK 0.3bn year-on-year. The increase of CZK 10.7bn in other non-current assets was primarily due to reporting shares of MOL Nyrt. (CZK +7.8bn) in other non-current assets (see Consolidated Financial Statements, Note 4). The increase in financial assets with restricted availability (CZK +2.0bn) was primarily due to provision for nuclear decommissioning pursuant to the Atomic Energy Act. In addition, there was an increase of long-term receivables from derivative trading (CZK +0.9bn).
Current assets decreased by CZK 24.1bn to CZK 130.4bn in 2014. Receivables decreased by CZK 16.6bn, primarily due to the settlement of a short-term receivable with MOL Nyrt. shares and a decrease in trade receivables. Cash and cash equivalents decreased by CZK 4.9bn year-on-year, emission allowances and inventories of fossil fuels including material by CZK 4.1bn. Receivables from derivative trading increased by CZK 1.2bn; other components of current assets increased current assets by CZK 0.3bn.

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



Equity, including non-controlling interests, was up CZK 3.1bn year-on-year to CZK 265.9bn.
Net income generated in 2014 increased equity by CZK 22.4bn, while awarded dividends decreased equity by CZK 21.5bn. Other comprehensive income increased equity by CZK 2.1bn, primarily in cash flow hedging (CZK +0.9bn) and available-for-sale financial assets (CZK +0.9bn).
Long-term liabilities decreased by CZK 4.8bn to CZK 234.1bn mostly due to a CZK 4.5bn change of the value of long-term bank loans, a CZK 2.8bn change in bonds issued, and a CZK 0.9bn decrease of other liabilities. The decline of long-term liabilities was partially compensated by a growth of nuclear provisions by CZK 3.5bn.
The value of deferred tax liability grew by CZK 1.4bn to CZK 20.6bn.
The drop of short-term liabilities by CZK 12.2bn to CZK 107.3bn was mainly due to a decline of CZK 7.5bn in the short-term portion of long-term debt including short-term loans, decreased liabilities from derivative transactions by CZK 3.7bn, and lower trade payables including advance payments and non-invoiced deliveries by CZK 2.4bn. On the other hand, short-term provisions including a provision for emission allowances increased by CZK 1.1bn. Other factors caused short-term liabilities to rise by CZK 0.2bn.

Comprehensive Income

Total comprehensive income, net of tax, fell by CZK 4.1bn year-on-year to CZK 24.6bn, while net income was down by CZK 12.8bn year-on-year. On the other hand, other comprehensive income grew by CZK 8.7bn year-on-year.
Other comprehensive income was positively influenced by cash flow hedges and available-for-sale securities in 2014, which contributed CZK 15.0bn to other comprehensive income year-on-year; on the other hand, in the year-on-year comparison, it was reduced in particular by currency translation in equity (CZK -3.0bn) and deferred tax connected with other comprehensive income (CZK -2.9bn).

CEZ Group Net Debt (CZK billions)

	2013	2014
Long-term debt, net of current portion	168.2	160.9
Current portion of long-term debt	28.1	15.7
Short-term borrowings	2.7	7.6
Financial debt	199.0	184.1
Cash and cash equivalents	(25.0)	(20.1)
Highly liquid financial assets	(17.6)	(16.8)
Net debt	156.4	147.2
EBITDA	82.0	72.5
Net debt / EBITDA	1.91	2.03

Treasury Shares

At the beginning of 2014, there were 3,875,021 treasury shares in the nominal value of CZK 387,502,100, or 0.72% of the stated capital, on ČEZ's asset account with the Central Securities Depository.
During 2014, ČEZ did not buy or sell any treasury shares.
At the end of 2014, there were 3,875,021 treasury shares in the nominal value of CZK 387,502,100, or 0.72% of the stated capital, on ČEZ's asset account with the Central Securities Depository.

CEZ Group Financial Results by Segment

Segments by Their Contributions to Overall CEZ Group Financial Performance

	Sales other than intersegment sales (CZK millions)	Intersegment sales (CZK millions)	Total revenues (CZK millions)	EBITDA (CZK millions)	EBIT (CZK millions)	Income tax (CZK millions)	Net income (CZK millions)	CAPEX (CZK millions)	Employees as at December 31 (persons)
Power Production & Trading CE									
2013	63,338	43,148	106,486	46,770	27,699	(5,077)	31,076	28,574	7,326
2014	57,093	35,775	92,868	39,523	22,792	(3,222)	27,604	21,122	7,443
Distribution & Sale CE									
2013	112,644	3,980	116,624	19,502	15,919	(2,846)	12,717	7,693	1,486
2014	100,059	4,888	104,947	19,290	15,463	(2,798)	12,266	7,712	1,493
Mining CE									
2013	5,145	6,466	11,611	5,095	2,951	(594)	2,933	2,438	2,984
2014	4,700	5,415	10,115	4,163	1,856	(352)	2,168	2,474	2,899
Other CE									
2013	2,804	39,354	42,158	5,357	3,256	(700)	2,590	23,029	9,250
2014	2,687	29,350	32,037	4,666	2,621	(559)	2,048	14,522	9,098
Power Production & Trading SEE									
2013	1,025	1,725	2,750	2,021	(2,989)	36	(4,529)	556	421
2014	1,500	1,307	2,807	606	(7,444)	899	(8,406)	60	344
Distribution & Sale SEE									
2013	32,006	770	32,776	2,968	(1,188)	(8)	336	2,961	3,960
2014	34,594	447	35,041	3,869	1,347	(132)	1,235	1,813	3,871
Other SEE									
2013	26	2,475	2,501	155	67	(17)	53	1,071	1,155
2014	24	2,142	2,166	84	14	(3)	46	673	1,107
Elimination									
2013	N/A	(97,918)	(97,918)	126	(25)	7	(9,969)	(22,736)	N/A
2014	N/A	(79,324)	(79,324)	297	297	(57)	(14,529)	(13,964)	N/A
Consolidated									
2013	216,988	N/A	216,988	81,994	45,690	(9,199)	35,207	43,586	26,582
2014	200,657	N/A	200,657	72,498	36,946	(6,224)	22,432	34,412	26,255

CE = Central Europe
SEE = Southeast Europe

The biggest segment, Power Production & Trading Central Europe, saw its EBITDA fall by CZK 7.2bn year-on-year. The main reason behind the lower EBITDA in the Czech Republic includes lower selling prices of generated power (CZK -6.6bn), lower volume of power generated (CZK -3.4bn), and greater provisions created for emission allowances and the use of the CER gateway in 2013 (CZK -2.7bn). On the other hand, there was a positive effect of the settlement agreement with Albania at CZK 2.6bn, higher revenues from trading in commodities (CZK +1.5bn) in particular due to the termination of a long-term contract with CA-CIB, and last but not least, fixed operating expenses also declined due to cost-cutting measures (CZK +1.0bn). The year-on-year growth of EBITDA in Poland (CZK +0.7bn) is a result of higher revenues from color certificates due to their increased market prices and increased generation from biomass.

The 4.0 TWh (6.4%) drop of power generation in the Czech Republic can be attributed to a combination of lower generation in coal- and gas-fired power plants (-2.9 TWh) due to the sale of the Chvaletice Power Plant in 2013, and also the effects of comprehensive upgrade and environmental measures implemented; the volume of power generated by hydropower plants declined by 0.6 TWh due to unfavorable hydrological conditions, and that by nuclear power plants slipped by 0.4 TWh. Production in Poland increased by 3% due to a higher share of biomass combustion at the ELCHO Power Plant.

The sold heat from CEZ Group's generation sources in the Czech Republic decreased by 2,800 TJ (15%) year-on-year due to the above-average temperatures in 2014. In Poland, the volume of heat produced declined by 500 TJ (10%).

Distribution & Sale Central Europe registered a year-on-year decrease in EBITDA of CZK 0.2bn. In distribution, with a zero impact year-on-year, there was a decrease in allowed revenues and a decrease in the distributed amount of electricity due to a warm winter in 2014 (CZK -1.3bn); in contrast, a positive effect was produced especially by a reduction in regulated costs due to a shared service center project and more accurately determined volume of unbilled electricity. EBITDA in sales decreased by CZK 0.2bn year-on-year. The decrease in sales of both electricity and gas was influenced by the warmer-than-average year 2014. A 10% decrease in the list price of gas from May 1, 2013 had a negative effect. By contrast, the lower average purchase price of electricity had a positive effect. The volume of electricity sold to end customers in the Czech Republic and Slovakia decreased by 0.8 TWh (3.2%) year-on-year; sales of gas to end customers decreased by 0.7 TWh (11.4%) year-on-year due to lower deliveries.

The Mining Central Europe segment registered a CZK 0.9bn decrease in EBITDA year-on-year in connection with lower electricity production at coal-fired plants and less demand for sorted coal due to an extremely warm winter (CZK -1.4bn), which was partially compensated for by cuts in fixed costs (CZK +0.5bn).

EBITDA of the Other Central Europe segment declined by CZK 0.7bn year-on-year due to lower sales and margin on intra-group services, in particular with ČEZ Distribution Services (ČEZ Distribuční služby, s.r.o.) and ČEZ ICT Services.

The EBITDA of the Power Production & Trading Southeast Europe segment was down by CZK 1.4bn year-on-year due to unfavorable developments in the regulatory environments of Romania and Bulgaria. The negative developments in Bulgaria (CZK -0.5bn) can be attributed primarily to a lower regulated purchase price of electricity from the Varna Power Plant and a lower sold availability of the cold reserve. The financial performance of the Romanian wind farms in Fântânele and Cogealac (CZK -1.0bn) was unfavorably impacted by the suspension of the green certificate grants for Fântânele Vest (from November 1, 2013) and Cogealac (from October 1, 2014) due to a notification delay on the part of the European Commission. Lower prices of green certificates were another adverse effect.

The Distribution & Sale Southeast Europe segment recorded a year-on-year EBITDA improvement by CZK 0.9bn. In Bulgaria (CZK +0.6bn), a debt offset agreement was made with the state-owned energy company of NEK. Another positive effect came from the reversal of a provision for a lawsuit concerning access fees for RES producers between Bulgaria's government and RES producers in the country (CEZ Group is not a party to the lawsuit). There was a negative effect of lower margin on distributed electricity due to negative price decisions. Romanian companies' EBITDA increased thanks to extraordinary revenue from the repayment of debts by the state post and railways as well as due to reduced costs of losses in the distribution grid. The volume of power sold in Bulgaria declined by 0.4 TWh (4.3%) year-on-year, while the distribution business recorded a slight growth by 0.1 TWh (0.8%). The volume of electricity sold and distributed in Romania was down by 0.2 TWh (6.0%) and 0.1 TWh (2.1%), respectively, on a year-on-year basis.

The year-on-year difference in elimination amounting to CZK +0.2bn is related primarily to inter-segment trading in emission allowances.

Commercial and Financial Outlook for 2015

At March 3, 2015, CEZ Group expected consolidated operating income before depreciation and amortization, allowances including goodwill write-offs, and sales of fixed assets (EBITDA) to amount to CZK 70bn in 2015.

The expected results reflect, in particular, the ongoing trend of decreasing wholesale electricity prices and the course of energy sector regulation in Europe on the one hand and the expected increase in electricity generation in the Czech Republic, an ambitious plan for internal savings and a strategy focusing on end customers, and advanced decentralized generation on the other hand.

The major causes of the year-on-year change in the financial results are listed below to indicate CEZ Group's economic situation in 2015. The expected year-on-year decrease in EBITDA of CZK 2.5bn (i.e. 3.4% less in comparison with actual value in 2014) comprises the negative effect of, in particular, a decrease in the realization prices of electricity generated in the Czech Republic, including the impact of currency hedging rates (CZK -5.7bn), and extraordinary revenues in 2014 due to the settlement agreement with Albania (CZK -2.6bn), and premature termination of a long-term contract for electricity sales with CA-CIB (CZK -1.6bn).

Among the positive factors of the year-on-year change in our prediction is the expected higher volume of power generation in the Czech Republic, in particular due to the planned start of operation of new and completely overhauled coal-fired power plants, higher generation in nuclear power plants and a higher generation in hydropower plants (CZK +4.0bn), cost-cutting measures in fixed operating expenses across CEZ Group (CZK +1.8bn), higher gross margin in the foreign business segment (CZK +0.9bn) thanks to expected renewed allocation of green certificates in Romania, suspended power generation in the Varna Power Plant, and a higher margin and generation volume in the ELCHO and Skawina power plants. Other factors add CZK +0.7bn to the EBITDA year-on-year comparison, among the positive of which were in particular lower purchase costs of emission allowances for electricity generation.

CEZ Group expects adjusted net income[1)] to reach CZK 27bn (8.3% less than in 2014). Adjusted net income[1)] for 2014 reached CZK 29.5bn, whereby the consolidated net income of CZK 22.4bn was adjusted just for the effect of allowances on fixed assets and goodwill write-offs.

CEZ Group considers the following risks for the prediction of earnings in 2015: developments in regulatory and legislative conditions in the energy sector in Southeast Europe, and a potential delay in completing the upgrade of existing and the construction of new coal-fired power plants in the Czech Republic.

It is anticipated that the parent company, ČEZ, a. s., will generate a net income of approximately CZK 21bn in 2015, consisting mostly of expected dividends from ČEZ, a. s. subsidiaries.

In 2015, CEZ Group expects its capital expenditures to reach some CZK 38bn, with most of them planned to be invested in production and distribution assets in the Czech Republic.

No major changes are expected in the overall structure of assets from which the income for 2015 will be generated.

In terms of cash flow, CEZ Group anticipates that it will be able to cover planned investing and financing expenditures, including dividends, from cash provided by operating activities. For this reason, no material change in CEZ Group's overall debt is expected in 2015.

[1)] Adjusted net income does not reflect extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as allowances on fixed assets and goodwill amortization or profit/loss from sale of assets or subsidiaries or other extraordinary effects).

CEZ Group Financing

Solvency in 2014

CEZ Group's solvency in 2014 was good and the companies of CEZ Group did not show any insufficiencies when settling their liabilities.

In 2014 the liquidity of CEZ Group was still impacted by ongoing capital projects, in particular with the soon-to-be-completed upgrade of brown-coal power plants of CEZ Group in the Czech Republic; nevertheless, capital expenditures were spent at a slightly slower rate than in 2013. In 2014, CZK 21.2bn was paid out in dividends for 2013, and another CZK 0.1bn was paid out in dividends for the previous years.

2014 saw a turning point in the developments of long-term interest rates, in particular with respect to EUR whereas the USD rates declined significantly less. The developments of long-term interest rates on both currencies de facto went their separate ways, obviously due to the fact that the Federal Reserve System put an end to quantitative easing, while the European Central Bank did not present a similar policy of quantitative easing until January 2015. One of the results of extremely low EUR interest rates was the growing appetite of bond investors for less conventional investments, such as convertible bonds—these are bonds that, upon the investor's decision, can be converted into stocks instead of being repaid in cash. ČEZ decided to take advantage of this situation and on February 4, 2014 CEZ Group issued a EUR 470.2m issue of bonds convertible into the MOL Nyrt. shares held by CEZ Group. The bonds have a zero-interest coupon and gave ČEZ an opportunity to turn the MOL shares into cash more effectively than by direct selling on the low-liquidity Hungarian market. The bonds mature in August 2017. On November 27, 2014, ČEZ made a small private issue of EUR 45m with a variable coupon and a 3-year maturity. The issue was one part of refinancing for an early repayment of a portion of loans from the European Investment Bank with an outstanding value of around EUR 200m (around EUR 37m due in January 2015)—the loans were obtained in 2009, just after the financial crisis started, and the interest expenses no longer corresponded to the rates at which ČEZ can get financing today. The other part of refinancing consisted in using EUR 100m under a EUR 200m contract that ČEZ made with the European Investment Bank in mid-2014. The remaining EUR 100m is expected to be used during 2015.

ČEZ, a. s. used its fairly good liquidity to pull EUR 300m worth of bonds that would mature in 2015 and 2016 from the market. This allowed the Company to save on the difference between interest expense on the purchased bonds and interest income from cash held.

In connection with an agreement to pay EUR 95m, concluded between ČEZ and the Republic of Albania in respect of ČEZ's lost investment in an Albanian distribution and sales company, EUR 10m has been paid already; the remaining EUR 85m is divided into more or less uniform installments in 2015–2018, which are covered by the bank guarantee of a renowned eurozone-based bank.

In November 2014, ČEZ, a. s. extended the number of banks providing committed credit lines as part of its CZK bond issue program, which enables foreign banks without any physical presence in the Czech Republic to participate in CEZ Group's financing, to 3 institutions. As part of the long-term bill-of-exchange program, which expired in 2014, all committed credit lines were renewed without any problems.

As at December 31, 2014, the volume of long-term bank and other loans stood at CZK 18,741m, of which loans provided by the European Investment Bank accounted for CZK 18,191m.

In 2014, CEZ Group succeeded in maintaining the average maturity of its financial debts at levels exceeding 8 years.

As at December 31, 2014, ČEZ, a. s. had drawn approximately 22% of committed credits.

List of Bonds Outstanding as at December 31, 2014 Issued by CEZ Group

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Issued as
7th Eurobond issue [1]	ČEZ, a. s.	XS0384970652	September 17, 2008	JPY 12bn	3.005%	2038	Dematerialized bearer
8th Eurobond issue [2]	ČEZ, a. s.	XS0387052706	September 22, 2008	EUR 6m	Zero coupon	2038	Dematerialized bearer
11th Eurobond issue [3]	ČEZ, a. s.	XS0430082932	May 26, 2009	EUR 460.219m	5.75%	2015	Dematerialized bearer
12th Eurobond issue [1]	ČEZ, a. s.	XS0447067843	September 8, 2009	JPY 8bn	2.845%	2039	Dematerialized bearer
13th Eurobond issue [4]	ČEZ, a. s.	XS0458257796	October 19, 2009	EUR 750m	5.00%	2021	Dematerialized bearer
14th Eurobond issue	ČEZ, a. s.	XS0462797605	November 4, 2009	EUR 50m	6M Euribor + 1.25%	2019	Dematerialized bearer
19th Eurobond issue	ČEZ, a. s.	XS0502286908	April 16, 2010	EUR 750m	4.875%	2025	Dematerialized bearer
20th Eurobond issue [5]	ČEZ, a. s.	XS0521158500	June 28, 2010	EUR 750m	4.500%	2020	Dematerialized bearer
1st NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9FM8	November 29, 2010	EUR 40m	4.500%	2030	Global Depository Receipt
2nd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9TZ1	January 31, 2011	EUR 40m	4.75%	2023	Global Depository Receipt
21st Eurobond issue [6]	ČEZ, a. s.	XS0592280217	February 17, 2011	JPY 11.5bn	2.160%	2023	Dematerialized bearer
22nd Eurobond issue	ČEZ, a. s.	XS0622499787	May 3, 2011	CZK 1.25bn	4.600%	2023	Dematerialized bearer
23rd Eurobond issue [7]	ČEZ, a. s.	XS0630397213	May 27, 2011	EUR 339.782m	3.625%	2016	Dematerialized bearer
24th Eurobond issue [8]	ČEZ, a. s.	XS0635263394	June 21, 2011	EUR 100m	2.15% * CPI Index Ratio	2021	Dematerialized bearer
25th Eurobond issue	ČEZ, a. s.	XS0713866787	December 5, 2011	EUR 50m	4.102%	2021	Dematerialized bearer
3rd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000B03489	April 2, 2012	EUR 40m	4.7%	2032	Global Depository Receipt

[1] Proceeds from the issue in Japanese yen were swapped for euro through a Credit Linked Swap.
[2] The yield is given by the difference between the issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.
[3] Issue bought back in April 2014; original volume of issue was EUR 600m.
[4] Eurobonds in the amount of EUR 60m and then EUR 90m were issued in February 2010 and added to the EUR 600m issue of October 19, 2009. The volume of the issue increased to EUR 750m.
[5] Eurobonds in the amount of EUR 250m were issued in December 2010 and added to the EUR 500m issue of June 28, 2010. The volume of the issue increased to EUR 750m.
[6] Proceeds of issue converted to EUR via a swap.
[7] Issue bought back in April 2014; original volume of issue was EUR 500m.
[8] Using a swap, the inflation-linked coupon was fixed at a value that ensures an effective fixed interest expense for ČEZ regardless of changes in inflation.

Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/ Moody's)
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 17, 2008	A-/A2
EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 22, 2008	N/A
EUR 50,000	Banca IMI S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 26, 2009	A-/A2
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 8, 2009	A-/A2
EUR 50,000	BNP Paribas, Société Générale, The Royal Bank of Scotland plc, Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	October 19, 2009	A-/A2
EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	November 4, 2009	A-/A2
EUR 50,000	Bayerische Landesbank, Erste Group Bank AG, HSBC Bank plc, Société Générale, UniCredit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	April 16, 2010	A-/A2
EUR 50,000	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Erste Group Bank AG, The Royal Bank of Scotland plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	June 28, 2010	A-/A2
EUR 500,000	N/A	N/A	N/A	N/A	N/A / N/A
EUR 500,000	N/A	N/A	N/A	N/A	N/A / N/A
JPY 100,000,000	Credit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	February 17, 2011	A-/A2
CZK 5,000,000	Česká spořitelna, a.s.	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 3, 2011	A-/A2
EUR 100,000	Banka IMI S.p.A., BNP Paribas, Erste Group Bank AG, HSBC Bank plc, UniCredit Bank AG, Commerzbank Aktiengesellschaft	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 27, 2011	A-/A2
EUR 100,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	N/A	N/A	A-/A2
EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	December 5, 2011	N/A / N/A
EUR 1,000,000	Commerzbank AG	N/A	N/A	N/A	N/A / N/A

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Issued as
1st Eurobond issue [9), 10)]	ČEZ, a. s.	US157214AA57	April 3, 2012	USD 700m	4.25%	2022	Dematerialized bearer
2nd US bond issue [9), 10)]	ČEZ, a. s.	US157214AB31	April 3, 2012	USD 300m	5.625%	2042	Dematerialized bearer
26th Eurobond issue	ČEZ, a. s.	XS0814711775	August 8, 2012	EUR 50m	4.375%	2042	Dematerialized bearer
27th Eurobond issue	ČEZ, a. s.	XS0818793209	August 20, 2012	EUR 50m	4.5%	2047	Dematerialized bearer
28th Eurobond issue [11)]	ČEZ, a. s.	XS0822571799	September 3, 2012	EUR 80m	4.383%	2047	Dematerialized bearer
4th NSV (Namensschuldverschreibungen) [12)] issue	ČEZ, a. s.	XFCA00H08349 XFCA00H08356 XFCA00H08364	December 10, 2012	EUR 61m	4.27%	2047	Global Depository Receipt
5th NSV (Namensschuldverschreibungen) [13)] issue	ČEZ, a. s.	XS0920182374 XS0920710570	March 26, 2013	EUR 30m	3.55%	2038	Global Depository Receipt
30th Eurobond issue	ČEZ, a. s.	XS0940293763	June 5, 2013	EUR 500m	3.00%	2028	Dematerialized bearer
Issue of guaranteed bonds convertible into MOL shares [14)]	CEZ MH B.V.	XS1027633434	February 4, 2014	EUR 470.2m	0%	2017	Dematerialized bearer
31st Eurobond issue	ČEZ, a. s.	XS1144490080	November 27, 2014	EUR 45m	3M Euribor + 0.35%	2017	Dematerialized bearer

9) The issue was sold within a non-public bond offer to qualified institutional buyers pursuant to Rule 144A of the United States Securities Act of 1933, as amended ("Securities Act"), and outside the United States to certain non-U.S. entities pursuant to Regulation S of the Securities Act.
10) Proceeds of issue converted to EUR via a swap.
11) Eurobonds in the amount of EUR 20m were issued in November 2012 and added to the EUR 60m issue of September 3, 2012. The volume of the issue increased to EUR 80m.
12) The volume of the issue was divided into three receipts.
13) The volume of the issue was divided into two receipts.
14) Bond issue guaranteed by ČEZ, a. s.

ČEZ, a. s. did not issue any convertible bonds representing a right to have them exchanged for the company's own stocks; under the issue terms, the bonds are not guaranteed by the State or by any bank.
In February 2014, CEZ MH B.V. issued an issue of guaranteed convertible bonds.
Portions of the 11th and 23rd Eurobond issues were bought back in April 2014.
The 31st Eurobond issue was issued in November 2014 under the EMTN Eurobond program.

Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/ Moody's)
USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	April 3, 2012	A-/A2
USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	April 3, 2012	A-/A2
EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	August 8, 2012	A-/A2
EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	August 20, 2012	A-/A2
EUR 100,000	UniCredit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 3, 2012	A-/A2
EUR 500,000	UniCredit Bank AG	N/A	N/A	N/A	N/A / N/A
EUR 1,000,000	Citigroup Global Markets Limited	N/A	N/A	N/A	N/A / N/A
EUR 100,000	Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Erste Group Bank AG, ING Bank N.V., The Royal Bank of Scotland plc, Banca IMI S.p.A., Crédit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	June 5, 2013	A-/A2
EUR 100,000	Barclays Bank Plc., Deutsche Bank AG, London Branch, HSBC Bank plc, Société Générale Corporate & Investment Banking	The Bank of New York Mellon, London Branch	Börse Frankfurt Freiverkehr (Open Market)	April 2, 2014	A-/A2
EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	November 27, 2014	A-/A2

CEZ Group Capital Expenditures

Capital Expenditures (CZK millions)

	2013	2014
Additions to property, plant and equipment and other non-current assets, including capitalized interest	45,626	35,798
Additions to property, plant and equipment	42,644	33,412
of which: nuclear fuel procurement	4,797	3,376
Additions to intangibles	942	1,000
Additions to long-term financial assets	2,138	41
Change in balance of liabilities attributable to capital expenditure	(98)	1,345
Financial investments*	962	68
Capital expenditures, total	46,588	35,866

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

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

	Central Europe		Southeast Europe		Total	
	2013	2014	2013	2014	2013	2014
Nuclear plants (including fuel procurement)	10,063	7,758	N/A	N/A	10,063	7,758
Coal and CCGT power plants	17,188	11,852	1	N/A	17,190	11,853
of which: new-build	6,723	5,297	N/A	N/A	6,723	5,297
renewal and other	10,465	6,555	1	N/A	10,466	6,556
Hydro plants other than renewables	197	228	N/A	N/A	197	228
Renewables	48	14	541	125	589	139
Electricity distribution	7,694	7,712	2,963	1,813	10,657	9,525
Heat distribution	476	345	N/A	N/A	476	345
Mining	2,411	2,474	N/A	N/A	2,411	2,474
Information systems	942	815	65	79	1,008	895
Other	914	1,171	82	24	995	1,195
Total	39,933	32,370	3,652	2,042	43,586	34,412

CAPEX Outlook for 2015–2019

As part of the five-year business plan, the Board of Directors of ČEZ, a. s. approves a framework for CEZ Group's future capital expenditures, which takes account especially of CEZ Group's debt capacity. Actual capital expenditures may differ from an approved plan depending on market developments, on CEZ Group's strategy reflecting the latest market forecasts, and on how the planned capital expenditures are to be financed.

Planned CEZ Group CAPEX, by Type (CZK billions)

	2015	2016	2017	2018	2019
Generation	21.1	12.3	9.3	8.0	9.1
of which: Czech Republic	19.8	10.1	7.8	7.9	8.9
Abroad	1.3	2.2	1.5	0.1	0.2
Distribution and Sale	9.7	10.1	10.4	10.9	11.4
Mining	1.9	2.5	2.4	3.4	2.8
Other CAPEX	5.3	3.4	3.6	3.2	3.2
CAPEX, total	37.9	28.4	25.7	25.5	26.5

Commodities Procured and Sold by CEZ Group

Electricity Procured and Delivered

Electricity Procured and Sold (GWh)

	2013	2014	2014/2013 Index (%)
Electricity procured	60,103	56,754	94.4
Generation	66,625	63,124	94.7
In-house and other consumption, including pumping in pumped-storage plants	(6,522)	(6,370)	97.7
Sold to end customers	(36,511)	(35,139)	96.2
Wholesale balance	(18,557)	(16,744)	90.2
Sold in the wholesale market	(187,781)	(184,612)	98.3
Purchased in the wholesale market	169,224	167,869	99.2
Grid losses	(5,034)	(4,872)	96.8

Electricity Generation, by Source of Energy (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Nuclear	30,745	30,324	N/A	N/A	N/A	N/A	N/A	N/A	30,745	30,324
Coal	28,008	25,342	2,237	2,248	566	944	N/A	N/A	30,812	28,534
Hydro	2,659	2,052	9	10	N/A	N/A	5	90	2,672	2,152
Biomass	294	277	304	369	N/A	N/A	N/A	N/A	598	646
Photovoltaic	121	125	N/A	N/A	6	5	N/A	N/A	127	131
Wind	9	9	N/A	N/A	N/A	N/A	1,250	1,166	1,259	1,176
Natural gas	409	160	N/A	N/A	N/A	N/A	N/A	N/A	409	160
Biogas	2	2	N/A	N/A	N/A	N/A	N/A	N/A	2	2
Total	62,248	58,291	2,550	2,627	572	949	1,255	1,256	66,625	63,124

Electricity Sold to End Customers (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Other countries		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Large end customers	10,216	9,901	381	402	2,914	2,691	951	670	2,120	2,476	16,582	16,140
Retail—commercial	2,783	2,544	N/A	N/A	2,643	2,401	916	926	75	70	6,417	5,941
Residential	7,656	7,082	N/A	N/A	4,227	4,275	1,498	1,569	131	132	13,512	13,058
Total	20,655	19,527	381	402	9,783	9,366	3,366	3,165	2,326	2,678	36,511	35,139

Heat

Heat Supplied and Sold (TJ)

	Heat supplied for heating purposes		External heat sales (outside CEZ Group)	
	2013	2014	2013	2014
ČEZ, a. s.	10,293	11,458	790	675
ČEZ Energetické služby, s.r.o.	73	63	64	54
ČEZ Teplárenská, a.s.	427	308	8,425	7,049
Elektrárna Dětmarovice, a.s. [1)]	575	575	12	12
Elektrárna Chvaletice a.s. [2)]	92	N/A	5	N/A
Elektrárna Počerady, a.s.	219	173	66	16
Energetické centrum s.r.o.	119	105	111	96
Teplárna Trmice, a.s. [3)]	2,139	N/A	N/A	N/A
Energotrans, a.s.	10,328	8,356	10,102	8,828
Czech Republic, total	24,265	21,037	19,575	16,729
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,393	2,142	2,342	2,088
Elektrownia Skawina S.A.	2,764	2,501	2,714	2,457
Republic of Poland, total	5,157	4,643	5,056	4,545
Central Europe, total	29,422	25,680	24,631	21,274
TEC Varna EAD	1	2	1	2
Republic of Bulgaria, total	1	2	1	2
Southeast Europe, total	1	2	1	2
CEZ Group, total	29,423	25,682	24,633	21,276

[1)] Company split off from ČEZ, a. s. on February 1, 2013.
[2)] Company sold on September 2, 2013.
[3)] Company merged into ČEZ, a. s. as at October 1, 2013; sales of heat to outside customers taken over by ČEZ Teplárenská, a.s.

Natural Gas

Natural Gas Procured and Sold (GWh)

	2013	2014	2014/2013 Index (%)
Procured	42,504	77,288	181.8
of which: external suppliers	41,998	76,884	183.1
OTE	506	404	79.8
Removed from storage	1,785	2,082	116.6
Sold	(40,710)	(75,920)	186.5
of which: trading	(34,176)	(70,151)	205.3
external large end customers	(1,474)	(1,494)	101.4
medium-sized end customers	(635)	(483)	76.1
small end customers	(792)	(689)	86.9
residential	(3,206)	(2,751)	85.8
OTE	(426)	(351)	82.5
Placed in storage	(2,289)	(2,611)	114.1
Consumed in-house	(1,290)	(839)	65.0

Synopsis: A peaceful morning in the Caribbean. The people on board slowly begin to wake up when the silence in the cabin is disrupted by the sharp sound of an incoming text message. Pepa rolls over to his left side and, still half asleep, looks at the illuminated display of his cell phone. A message from his parents back in the Czech Republic saying that he has not paid his utility bills—we are wondering how you are going to pay them! An unpleasant surprise indeed; before they left for their three-month honeymoon, he completely forgot about it. He looks at Vera who is still sleeping peacefully. Now what? Where to find a working wi-fi connection?
Facts: A user-friendly mobile app is available for both iOS and Android, entirely for free, and can help you deal with those situations when you do not have your notebook or PC with you. The app allows you to view your customer account (electricity, gas, cell phone), change your advance payments, view your last invoice, etc.
Vera: I love Pepa perhaps even for his carelessness. When he left the cabin without saying a word in the morning, I didn't know what was going on. Now, after coming back home, we tell this funny story of how he got to know perhaps half of the crew, including the captain, when looking for an internet connection. Modern technologies help you find a solution to every problem.

honey

STARRING newlyweds Vera and Pepa and a mobile app
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

episode 409

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 declined CZK 6.3bn year-on-year, to CZK 29.7bn. Net income decreased by CZK 5.5bn year-on-year to CZK 20.9bn. The main reasons for the year-on-year decrease in net income included a decrease in the realization prices of electricity and a decrease in the volume generated especially at hydro power plants due to dry weather in 2014. The year-on-year decrease in net income was also affected by revenue from the sale of the Chvaletice Power Plant in 2013.

By contrast, there was a positive effect of cuts in fixed operating costs, a settlement agreement with Albania, and the termination of a long-term commodity contract with CA-CIB.

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

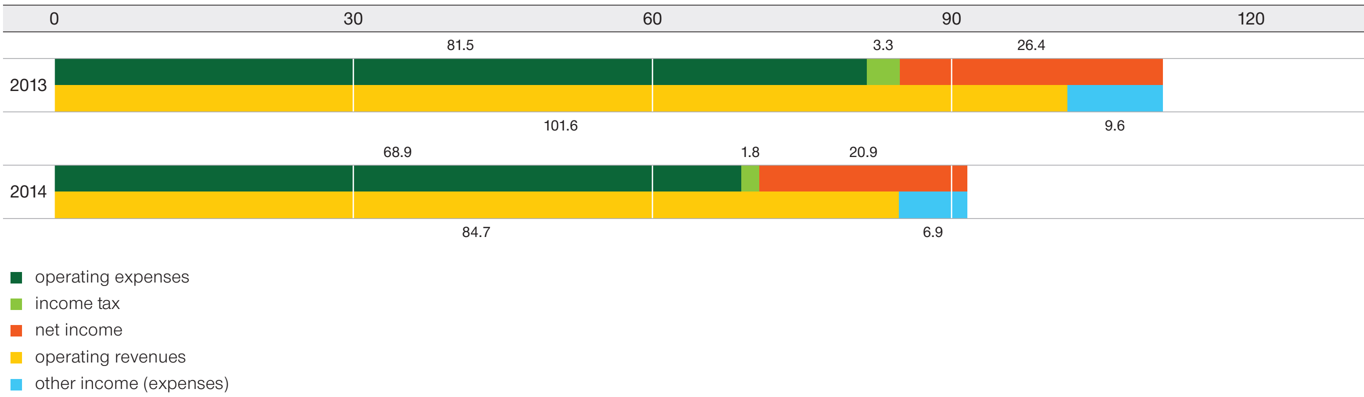
	Unit	2013	2014	2014/2013 Index (%)
Installed capacity	MW	10,239	11,111	108.5
Electricity generated (gross)	GWh	50,662	49,461	97.6
Heat sold (including sales within CEZ Group)	TJ	8,922	10,038	112.5
Workforce head count as at December 31	persons	5,678	5,373	94.6
Operating revenues	CZK millions	101,644	84,706	83.3
EBITDA	CZK millions	35,914	29,657	82.6
EBIT	CZK millions	20,095	15,827	78.8
Net income	CZK millions	26,373	20,910	79.3
Dividend per share (gross) [1)]	CZK/share	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	39,010	54,922	140.8
Capital expenditures (CAPEX)	CZK millions	28,718	20,168	70.3
Total assets	CZK millions	549,257	537,183	97.8
Equity	CZK millions	205,243	206,132	100.4
Net debt	CZK millions	159,768	140,836	88.2
Return on Assets, net (ROA)	%	4.8	3.8	79.2
Return on Equity, net (ROE)	%	12.7	10.2	80.3
Net debt / EBITDA	1	4.4	4.7	106.7

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

ČEZ, a. s. electricity generation in 2014 was 49.5 TWh, down 1.2 TWh from the 2013 value. The decrease was mainly caused by lower production at hydro power plants (0.6 TWh) due to extremely low flowrates in 2014, as well as by a decrease in the nuclear power plants' production (0.4 TWh) caused by a prolonged scheduled outage at the Temelín Nuclear Power Plant and outages at the Dukovany Nuclear Power Plant in November and December. The production of other renewable sources decreased by 0.2 TWh due to unfavorable climatic conditions.

Trends in Revenues, Expenses, and Profits

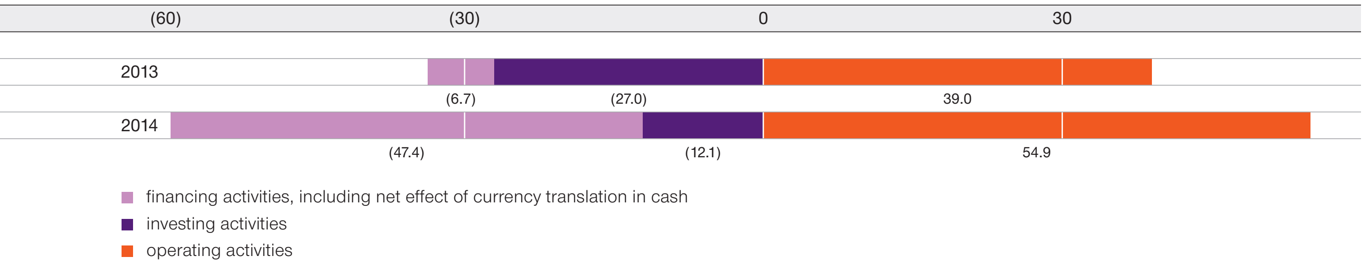
Net Income Breakdown of ČEZ, a. s. (CZK billions)



Operating revenues decreased by CZK 16.9bn year-on-year mainly as a result of decreased revenue from the sales of electricity (CZK -17.4bn) primarily due to a reduction in the market prices of electricity accompanied by lower generation at hydro and nuclear power plants. There was also a decrease in revenues from the sales of gas and heat and other revenue (CZK -0.7bn), primarily due to list prices of gas dropping by 10% since May 1, 2013. Trading in commodity derivatives had a positive effect (CZK +1.1bn), especially thanks to the termination of the long-term contract with CA-CIB. Operating expenses decreased by CZK 12.7bn in total, primarily due to lower expenses on the purchases of energy and related services (CZK +9.1bn) resulting from lower prices and volumes, as was the case with the related revenues. The year-on-year decrease in additions to fixed asset impairments (CZK +2.2bn) were partially eliminated by higher expenses on emission allowances (CZK -2.0bn). A positive impact on operating expenses was derived from the settlement agreement with Albania (CZK +2.6bn) and cuts in fixed operating costs (CZK +0.6bn). The lower production meant lower expenses on fuel consumption (CZK +0.6bn).
Other income (expenses) decreased by CZK 2.7bn year-on-year, to CZK 6.9bn. The main negative effects in the year-on-year comparison were revenue from the sale of the investment in the Chvaletice Power Plant in 2013 (CZK -5.2bn), increased impairments and provisions included in financial expenses (CZK -2.9bn), and exchange rate gain/loss and revaluation of financial derivatives (CZK -1.7bn). By contrast, dividends received in 2014 were up by CZK 6.4bn and interest income (expenses), including interest on nuclear and other provisions, decreased by CZK 0.6bn primarily due to a decrease in bonds issued and long-term bank loans.
Income tax decreased by CZK 1.5bn year-on-year due to lower earnings before taxes.

Cash Flows

ČEZ, a. s. Cash Flows (CZK billions)



Cash flows from operating activities grew by CZK 15.9bn year-on-year, mainly thanks to a year-on-year change in working capital (CZK +16.2bn), year-on-year growth in dividends received (CZK +6.4bn), and lower income tax paid (CZK +1.5bn). By contrast, earnings before taxes adjusted for non-cash operations decreased year-on-year (CZK -8.4bn).
The main cause of the positive change in working capital amounting to CZK 16.2bn was, in particular, a year-on-year change in net trade receivables and payables including advances and accruals/deferrals (CZK +9.4bn), year-on-year decrease in liquid securities (CZK +5.9bn), and year-on-year change in net receivables and payables from derivatives (CZK +1.4bn).
Cash used in investing activities decreased by CZK 14.9bn year-on-year, primarily due to a year-on-year increase in repayments and decrease in loans granted within CEZ Group (CZK +13.7bn) and year-on-year decrease in investment in property, plant and equipment and intangible assets (CZK +7.0bn). By contrast, a negative effect on the year-on-year comparison was derived from lower revenue from the sale of subsidiaries (CZK -4.3bn) in connection with the sale of the Chvaletice Power Plant in 2013 and lower revenue from the sale of fixed assets (CZK -1.2bn).
Cash used in financing activities, including the effect of currency translation in cash, grew by CZK 40.8bn year-on-year primarily due to the year-on-year change in the balance of loans and repayments (CZK -30.0bn). There was also a lower year-on-year growth in liabilities from CEZ Group cash pooling (CZK -8.8bn) and other long-term liabilities (CZK -1.8bn) due to a security received from Vršanská uhelná a.s. in 2013. The effect of currency translation in cash was lower (CZK -0.2bn) year-on-year.

Structure of Assets, Equity, and Liabilities

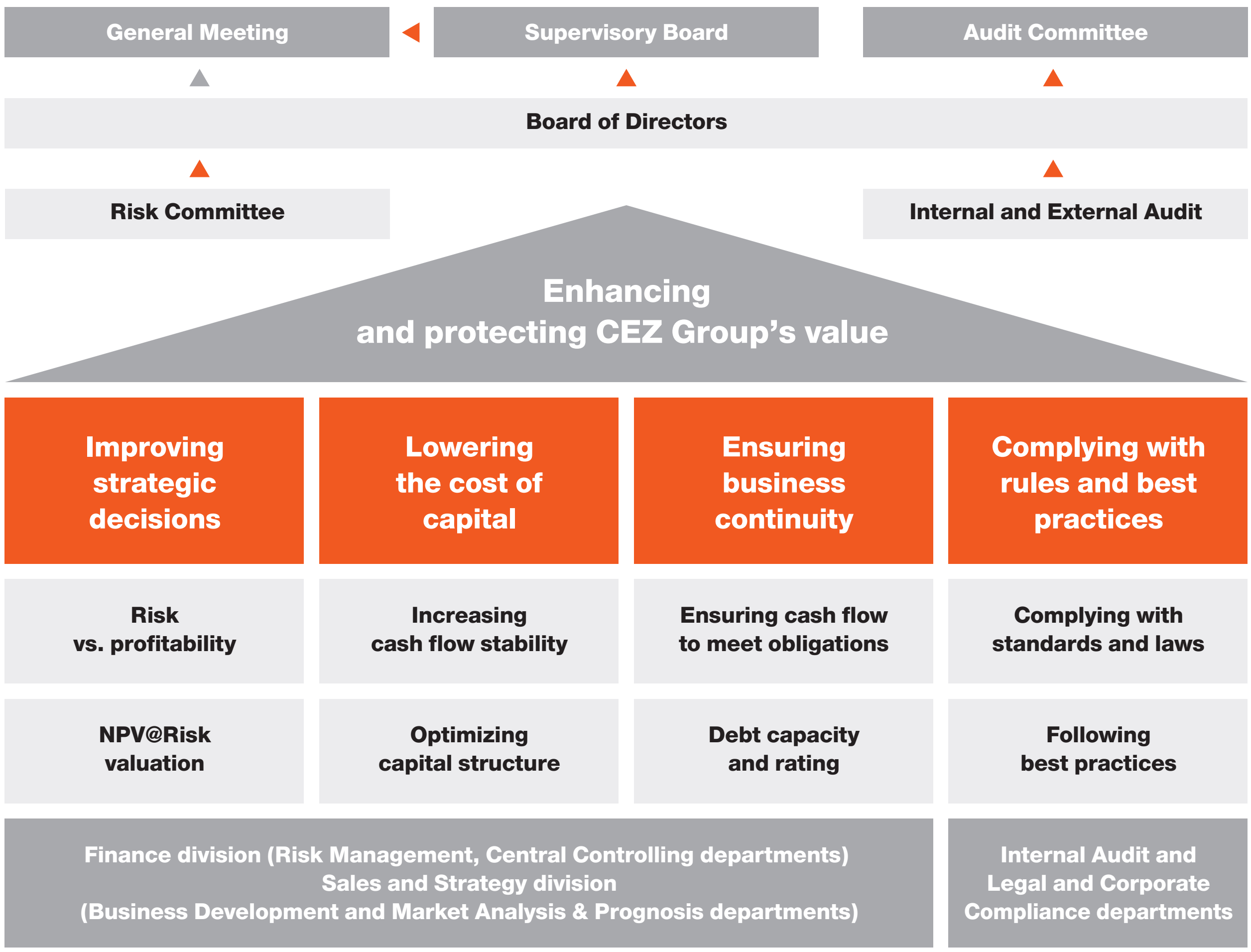
Total assets and liabilities decreased by CZK 12.1bn year-on-year to CZK 537.2bn.
Fixed assets rose by CZK 2.8bn year-on-year to CZK 429.8bn. An increase in property, plant and equipment, of CZK 11.1bn net, was partially compensated for by a decrease of CZK 4.6bn in construction work in progress, including advance payments, due to putting the completed investment projects into service. Other fixed assets decreased by CZK 4.0bn primarily due to additions to impairment adjustments on equity stakes in subsidiaries and a year-on-year decrease in long-term loans within CEZ Group (transferred to short-term loans).
Current assets decreased by CZK 14.8bn to CZK 107.4bn in 2014, primarily due to a decrease in short-term loans within CEZ Group (CZK -9.7bn), decrease in cash and cash equivalents (CZK -4.7bn), and decrease in emission allowances (CZK -3.1bn). The decrease was partially compensated for by a year-on-year increase in receivables from derivatives (CZK +1.4bn) and increased material inventories (CZK +1.0bn).
Equity increased by CZK 0.9bn year-on-year to CZK 206.1bn. Net income generated in 2014 contributed CZK 20.9bn to the increase in equity. Dividends decreased equity by CZK 21.3bn. Changes in equity associated with other comprehensive income increased equity by CZK 1.3bn.
Long-term liabilities decreased by CZK 16.3bn to CZK 200.4bn primarily due to a decrease in liabilities from bonds issued (CZK -15.4bn) and a decrease in long-term bank loans (CZK -4.0bn). By contrast, nuclear provisions increased (CZK +3.4bn).
Deferred tax liability increased by CZK 0.9bn to CZK 9.6bn.
Current liabilities increased by CZK 2.5bn to CZK 121.0bn due to an increase in trade and other payables (CZK +5.6bn), increase in short-term loans (CZK +5.2bn), and increase in liabilities from derivatives (CZK +1.6bn). The increase was partially eliminated by a decrease in the current portion of long-term debt (CZK -9.6bn).

Comprehensive Income

Net comprehensive income increased by CZK 6.3bn year-on-year to CZK 22.2bn due to a year-on-year increase of CZK 11.8bn in other comprehensive income. Net income decreased comprehensive income by CZK 5.5bn year-on-year.
Other comprehensive income was positively affected primarily by cash flow hedging and available-for-sale financial assets, which increased other comprehensive income by CZK 14.5bn year-on-year. By contrast, deferred income tax associated with other comprehensive income decreased other comprehensive income (CZK -2.8bn) year-on-year.

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 reporting method of risk management at CEZ group are illustrated by the following chart:



Risk Management

The aim of the risk management system is to increase 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 developments), expressed in Czech korunas at a chosen uniform confidence level (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 board 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 Basel II 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 of 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, through long-term electricity sales contracts, and through operative management of the overall CO_2 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 while utilizing standard financial instruments in accordance with risk limits and rules for fixing generation revenues on a running basis within a five-year timeframe,
- Volume risk of 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 ongoing uncertainty in Europe, conservative rules are still in place for entering into business transactions. Strict credit rules apply to making long-term contracts to ensure the margin of generation facilities in the Czech Republic,
- Credit risks of end customers for electricity and gas are managed through payment terms based on customer credibility (the trend of improving customer credibility continued in all segments in 2014, resulting in a reduction in total realized losses from overdue receivables; all the while integration of credibility systems for newly offered products of ČEZ Prodej, s.r.o. continues).

3. Operational Risks
- The risk that the actual output of nuclear and Czech coal-fired power plants will deviate from the plan is quantified and reported on a monthly basis, and the long-term results are utilized in optimizing the scope of maintenance,
- A significant operational risk is posed by the finishing renovation of coal-fired plants in the Czech Republic; risks involved in the preparation and implementation of these CAPEX 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 with the aim of respecting the developments in CEZ Group's debt and financial capacities,
- In the context of the European debt crisis, CEZ Group faces increased risks of new taxes and/or decisions by EU antitrust and regulatory bodies as well as political risks in all countries it operates in.

Insurance at CEZ Group

A number of risks in CEZ Group companies are dealt with through an insurance program that is provided substantially by ČEZ, a. s. The most important insurance policies 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 2bn; the insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and the 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 300m; the insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and the 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 a.s., representing the Czech Nuclear Insurance Pool, and the European Mutual Association for Nuclear Insurance,
- Property insurance for coal-fired and hydro power plants providing coverage against natural hazards and mechanical risks; complex construction-installation insurances are taken out for projects for the renovation of the ČEZ coal-fired portfolio, including insurance against loss of profit due to construction delay,
- Insurance for the property of ČEZ Distribuce, a. s.,
- Insurance for the property of Severočeské doly a.s.,
- Insurance for the property of selected CEZ Group companies,
- General liability insurance, which 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,
- Liability insurance for members of the Company's statutory governance and supervisory bodies; the insurance covers subsidiaries too.

Subsidiaries in Bulgaria take out property insurance, general liability 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 Cogealac wind park, including coverage against interruption of operation. Local subsidiaries have general liability insurance.
The ELCHO and Skawina power plants in Poland have insurance covering property and mechanical risks, including interruption of operation. General liability insurance is also taken out. CEZ Group standards are applied to other companies, territories, and risks in relation to the development of CEZ Group's insurance program and applicable legislation.

Internal Audit

ČEZ, a. s. Internal Audit gives the Company's management and governance bodies 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, a. s. Internal Audit reports directly to the Company's Board of Directors; it also submits the results of its auditing activities to the Audit Committee of ČEZ, a. s. and to the statutory governance bodies of relevant subsidiaries within CEZ Group. The Director of Internal Audit at ČEZ, a. s. has direct access to and attends meetings of the Board of Directors and participates as a guest in meetings of the Committee for ČEZ Plant Safety, the Risk Committee, and the 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 2011.
Internal Audit's activity 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 41 audits were conducted in 2014: 19 at ČEZ, a. s. and 22 at subsidiaries, including 8 audits in foreign shareholdings, where audits are conducted by the Internal Audit of ČEZ, a. s. 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, a. s., Severočeské doly a.s.; separate audit units have also been established in Bulgaria, Romania, and the distribution company in Turkey).
Audit outputs are Final Reports, which document all objective findings and make recommendations where shortcomings are identified. The outputs are discussed with the management of the audited entities, which subsequently take corrective measures. Internal Audit keeps checking on the implementation of corrective measures, using follow-up audits where appropriate. The results of audit activities, including any amendments to the audit plan, are reported in summary form to the Board of Directors and the Audit Committee of ČEZ, a. s. quarterly. 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, a. s.

Safety and Quality Management at CEZ Group

Safety and Quality Management

CEZ Group's management system is governed by its Management Quality Policy, which specifies guiding principles of quality perception for all employees. At ČEZ, a. s., the management system is perceived as consisting of the following key elements: the Company process model; the organization structure, including the specification of responsibilities and powers; and the system of internal regulations and operating documentation. The entire management system is regularly reviewed through an established system of internal controls. Based on the outputs of periodic reviews, measures are taken for the purpose of continual improvement.

The Board of Directors of ČEZ, a. s. fully accepts its responsibility for ensuring the safety and security of generation facilities and protecting individuals, the public, and the environment within the meaning of both applicable law and the Czech Republic's international commitments.

CEZ Group's internal regulations give priority to safety and security in all processes and activities. A safety system established for all processes and activities is subject to regular internal checks at three levels: self-evaluation, checks by safety departments, and checks at the headquarters level by the CEZ Group Safety Inspectorate. The safety management system at CEZ Group is structured into segments according to prevailing risks. An integral part of safety and environmental management is the use of systems certified according to ISO 14001, the Safe Enterprise program, and/or OHSAS standards (a set of rules enabling continued occupational safety and health).

The management system is assessed by means of established internal integrated audits of quality, EMS (environmental management systems), and OSH (occupational safety and health), process assessments, a system of self-evaluation, and reviews of the integrated management system. At the same time, continual checks are conducted to determine the level of fulfillment of stipulated goals and stakeholders' requirements, including requirements of the public.

Measures to enhance the nuclear safety of both nuclear power plants operated by ČEZ, a. s. in compliance with the Czech Republic's National Action Plan and the Safety Enhancement Programs of the Dukovany Nuclear Power Plant and Temelín Nuclear Power Plant continued to be implemented in 2014. The operator completed 30 out of the total of 84 measures defined in the National Action Plan. Important structures were made more resistant to extreme climatic effects at both sites (pumping stations and the reactor building at the Dukovany Nuclear Power Plant, the corporate fire brigade building at the Temelín Nuclear Power Plant) and a new seismic monitoring system was installed at the Dukovany Nuclear Power Plant. The completed technical design modifications expand the possibilities of using backup water reserves for cooling fuel in both the reactor and spent fuel pools, for mitigating emergency conditions in hermetically sealed premises, etc. Other important technical measures include the installation of additional power supplies (functioning independently of other nuclear power plant systems). This included installation of stationary diesel generators (SBO DGs with a capacity of 3.2 MW) and purchasing smaller mobile power supply units with a capacity of 350 kW, including cable trucks for laying replacement routes, as well as small portable power generation units to provide local power supply to identified equipment. This expanded the possibilities for handling serious states of emergency beyond the original design at both sites.

As for emergency preparedness, additional independent means of communication were purchased, backup control centers were built, and personnel capacities in the organization of emergency response were enhanced significantly. Functionality testing of the new means started in 2014, as did personnel training for the use of the means according to newly prepared guidelines. Operating emergency documents were amended to include procedures for handling serious accidents (with fuel melting) on shutdown reactors.

The CEZ Group Event Monitoring System was built in 2014 to allow a unified approach to the management of safety-related events. This means recording, investigating, and evaluating events in a timely manner, keeping statistics, and last but not least exchanging information between CEZ Group companies.

In addition, the safety management system in the distribution segment was unified, allowing companies with similar lines of business to more efficiently manage their approach to safety based on common criteria.
To follow global best practices, internal checks were introduced in accordance with the WANO Performance Objectives and Criteria. The checks are carried out by the CEZ Group Safety Inspectorate at the two nuclear power plants as well as in corporate units influencing nuclear safety.
A safety culture survey was conducted in 2014; it is carried out periodically, every three years, with emphasis on nuclear activities. In 2011 its scope was expanded to cover the whole uniformly managed field of safety at CEZ Group. Survey questions were answered by 8,439 employees. Comparison between the 2014 survey results and previous results as well as comparison with a sample of comparable European companies confirmed a high level of safety culture at CEZ Group companies, especially in the field of nuclear power.
In terms of improvement, important activities in 2014 included optimizing Management System Administration and optimizing documentation important for nuclear safety and radiation protection. Process assessment was modified on the basis of self-evaluation, benchmarking, and the sector's best practices to put more emphasis on process performance monitoring and improvement.

Nuclear Plant Operational Safety

In 2014, both ČEZ, a. s. nuclear power plants were operated in compliance with applicable nuclear energy legislation and the conditions of all valid permits were fulfilled. The operation of the nuclear power plants has a negligible impact on the environment and the populace. The Czech Republic's National Report prepared for the purposes of the Convention on Nuclear Safety was discussed in Vienna, Austria and ČEZ, a. s. was found to be in compliance with all articles of the Convention.
Individual activities and measures following the nuclear power plant accident at Fukushima, Japan, together with measures from the Periodic Safety Review, actions under the Dukovany Nuclear Power Plant operation extension project, and measures to eliminate identified risks, are included in safety enhancement programs for the Dukovany and Temelín nuclear power plants. Fulfillment of actions from the National Action Plan to Enhance the Safety of Nuclear Facilities is supervised by the State Office for Nuclear Safety; all steps due by the end of 2014 were taken.
International communities, the IAEA and WANO continued with intensive reviews of the operational safety of nuclear power plants and the companies that own and operate nuclear power plants in 2014.
The Temelín Nuclear Power Plant was subject to a Follow-Up OSART IAEA Peer Review from May 12 to May 16, 2014. Its goal was to review how the power plant dealt with the proposals it received in November 2012. The follow-up review found the manner of acting on the previous mission's findings to be exemplary; out of its 11 proposals, seven had been fully implemented and the remaining four were found to be at a satisfactory stage of progress. The foreign experts appreciated that the findings were resolved on the basis of a thorough analysis and often beyond what had been proposed by the OSART team.
A Follow-Up WANO Peer Review took place at the Dukovany Nuclear Power Plant from October 13 to October 17, 2014. This follow-up mission focused on determining the efficiency of corrective measures adopted in relation to 19 areas for improvement identified by the WANO Peer Review team in September 2012. Five areas were found to be resolved in a "satisfactory manner" and 14 areas were rated as "making good progress."
From November 17 to November 27, 2014, the Dukovany Nuclear Power Plant hosted an important IAEA SALTO (Safety Aspects of Long-Term Operation) international mission, whose task was to review the plant's organization and programs related to its long-term operation, including human resources and knowledge management. The conclusions of the mission are based on comparison with the IAEA Safety Standards. The expert team identified a number of good practices and good performances at the plant that will be shared with other nuclear power plants globally, as well as several areas where operational safety may be—and is, according to a planned schedule—improved. The mission's final report will be an important input for the State Office for Nuclear Safety's review of the Dukovany Nuclear Power Plant's preparedness for operation beyond 2015.
Both nuclear power plants were recertified as a Safe Enterprise again in October 2014 and the first ČSN EN ISO 14001 periodic audit of their environmental management system (EMS) was successfully conducted at the nuclear power plants in December 2014.

Nuclear Power Plant Safety Indicators in 2014

Indicator	Number of events*	
	Dukovany Nuclear Power Plant	Temelín Nuclear Power Plant
INES 0 events	11	11
INES 1 events	1	2

* Based on data as at February 12, 2015.

Supplier Audits

Suppliers of safety-relevant items and services are subject to repeated customer audits carried out by ČEZ, a. s. Customer audits examine the extent to which the suppliers comply with the requirements of nuclear legislation. The quality of the suppliers' work is monitored and evaluated according to predefined criteria on an ongoing basis.
There were 77 customer audits conducted in 2014, including 36 audits conducted jointly with CEZ Group's primary suppliers.

Synopsis: After the international success of the “20 minutes” film, the well-established team presents a new movie: “One Contact.” Once again we will see five stories with unexpected plots. Can you win a contract during your first contact with the client? How can you convince a foreigner, using just non-verbal communication during a single meeting, to become a member of your team? Is one contact enough to understand the truth? Can you win a race during your very first contact with a go-kart? Can you light a fire using just one match?

Facts: It is enough to contact us just once, either through our Customer Care Line, Customer Care Center or CEZ Group contractual partners, to handle a majority of customer requests. We can instantly resolve 85% of all requests.

episode 468

contact

STARRING volunteers–nonprofessional actors, Customer Care Line, Customer Care Center, and CEZ Group contractual partners
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

CEZ Group in the Czech Republic

Business Environment in the Electricity Sector

The Czech power market is fully liberalized. Access to the transmission and distribution grids is regulated. The wholesale electricity market in the Czech Republic is part of a larger Central European market, thanks primarily to extensive cross-border transmission capacities between the Czech Republic and the transmission grids 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 energy exchange in Leipzig. Trading in electricity on the Czech Republic's power exchange ranges from yearly to daily contracts. Anonymous trading on a daily basis is also possible on the organized markets of OTE, a.s., which offer day-ahead as well as intraday trading. Around 30 traders have been actively operating on the wholesale market for several years and there were four electronic broker platforms with varying levels of liquidity in operation at the end of 2014.

The day-ahead electricity market in the Czech Republic is coupled with the markets in Hungary and the Slovak Republic. The Romanian market joined in in 2014.

Since 2011, offering of capacity on individual cross-border transmission lines is coordinated by a joint auction house run by a group of transmission grid operators, CAO (Central Auction Office GmbH based in Freising, Germany) for all of the Czech Republic's borders except the Czech-Slovak border. The capacity there is allocated on a daily basis along with traded electricity through spot power exchanges, thanks to the market coupling arrangement.

In 2014, ČEZ, a. s. 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 fourteen countries, it also trades in natural gas, hard coal, and emission allowances. It was the provider of ancillary services for transmission grid operators in the Czech Republic and Bulgaria.

CEZ Group is an advocate of market liberalization and endeavors to contribute to increased market transparency through its activities. In 2014, it reaffirmed this position in the formulation of new rules for the allocation of cross-border transmission capacities in Central Europe. It also strives to support its positions through its memberships 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 transmission grid operators at auction, over a wide range of products and for various time bands. In this segment, the Czech market is one of the most competitive in Europe, with independent producers outside of CEZ Group offering approximately half of the necessary capacity of ancillary services. In terms of technical units, ČEZ, a. s.' share in supplies of ancillary services in 2014 was 46% (compared to 54.9% in 2013).

There are around 55 traders (with over 100 connection points registered with OTE, a.s.) actively involved in the retail market, supplying electricity to end customers. Residential customers began switching electricity suppliers on a bigger scale in 2009; the number of switches peaked in 2012 and has decreased every year since then. According to OTE, a.s. data, there were a total of 333,542 supplier switches at all voltage levels in 2014 (around 5.8% connection points switched electricity suppliers); the 2013 figure was 374,440 (with around 6.5% connection points switching suppliers).

With the fully liberalized and transparent wholesale electricity market in the Czech Republic (functional PXE exchange), the potential of other producers outside CEZ Group, and the transmission capabilities of cross-border lines, more than half of electricity consumption in the Czech Republic can be covered by producers other than ČEZ, a. s. CEZ Group's share of the market in electricity deliveries to end customers is then around 28.2% in the segment of large customers (connected at the high-voltage and medium-voltage levels), around 32% in the commercial retail segment, and around 50% in the residential retail segment.

In electricity distribution, all prices are regulated by the Energy Regulatory Office. Price decisions were promulgated for eligible customers concerning purchases to support generation of electricity from renewable energy sources, combined heat and power generation, and secondary energy sources; prices of electricity and related services provided over the transmission grid; payments between distribution companies; prices of OTE's activities; and other regulated payments. There were 3,589,039 connection points connected to the distribution grid of ČEZ Distribuce, a. s. as at December 31, 2014. As for renewable energy sources, the largest number of facilities connected to the distribution grid of ČEZ Distribuce, a. s. are photovoltaic power plants; there were 17,225 such plants with a total installed capacity of 1,015 MW as at December 31, 2014.

The volume of electricity that flowed into the distribution grid of ČEZ Distribuce, a. s. in 2014 was 43,331 GWh, which is comparable to 2013, with a year-on-year decrease of a mere 22 GWh (0.05%). The biggest percentage of that amount (53.3%) was electricity originating from the network of ČEPS, a.s.; its volume was 23,094 GWh, which is 946 GWh more than in the previous year.

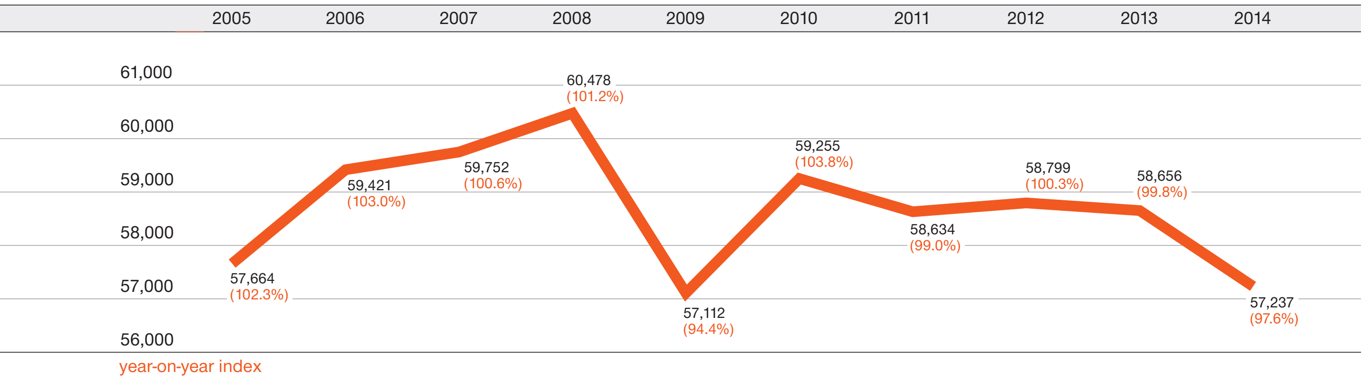
While the overall cross-border export capacity remained the same, 2014 was the first year ever in which the average wholesale price spread between the Czech Republic and Germany reversed, from 1.04 EUR/MWh in 2013 to -0.20 EUR/MWh (difference between the EPEX and OKO spot markets), making electricity slightly more expensive in the Czech Republic.

The natural gas market in the Czech Republic is also fully liberalized and operates on the same fundamental principles as the electricity market. Although it was liberalized later than the electricity market, the development of a competitive environment has been much faster thanks to all key players' experience. The two markets exhibited comparable levels of competition in 2014. Market convergence is evident in the behavior of most active traders, who offer their customers both commodities—and more and more customers have both electricity and natural gas supplied by the same supplier. Through its member company ČEZ Prodej, s.r.o., CEZ Group further reinforced its position as a major gas supplier in 2014. At the end of 2014, it supplied gas to 347,359 connection points (as compared to 321,718 connection points at the end of 2013) and is the largest alternative gas supplier in the Czech Republic.

Similarly to the electricity market, there are around 55 active traders (traders that have over 100 connection points registered with OTE, a.s.) on the retail market in gas supplies to end customers. There were 200,389 gas supplier switches throughout the Czech Republic in 2014, with the number decreasing for three years in a row. This means that approximately 4.8% of connection points changed their supplier of natural gas in 2014, which is approximately 1.0 percentage point less than with electricity switches; it was the other way around in 2013 (gas switches were 0.6 percentage points higher than electricity switches).

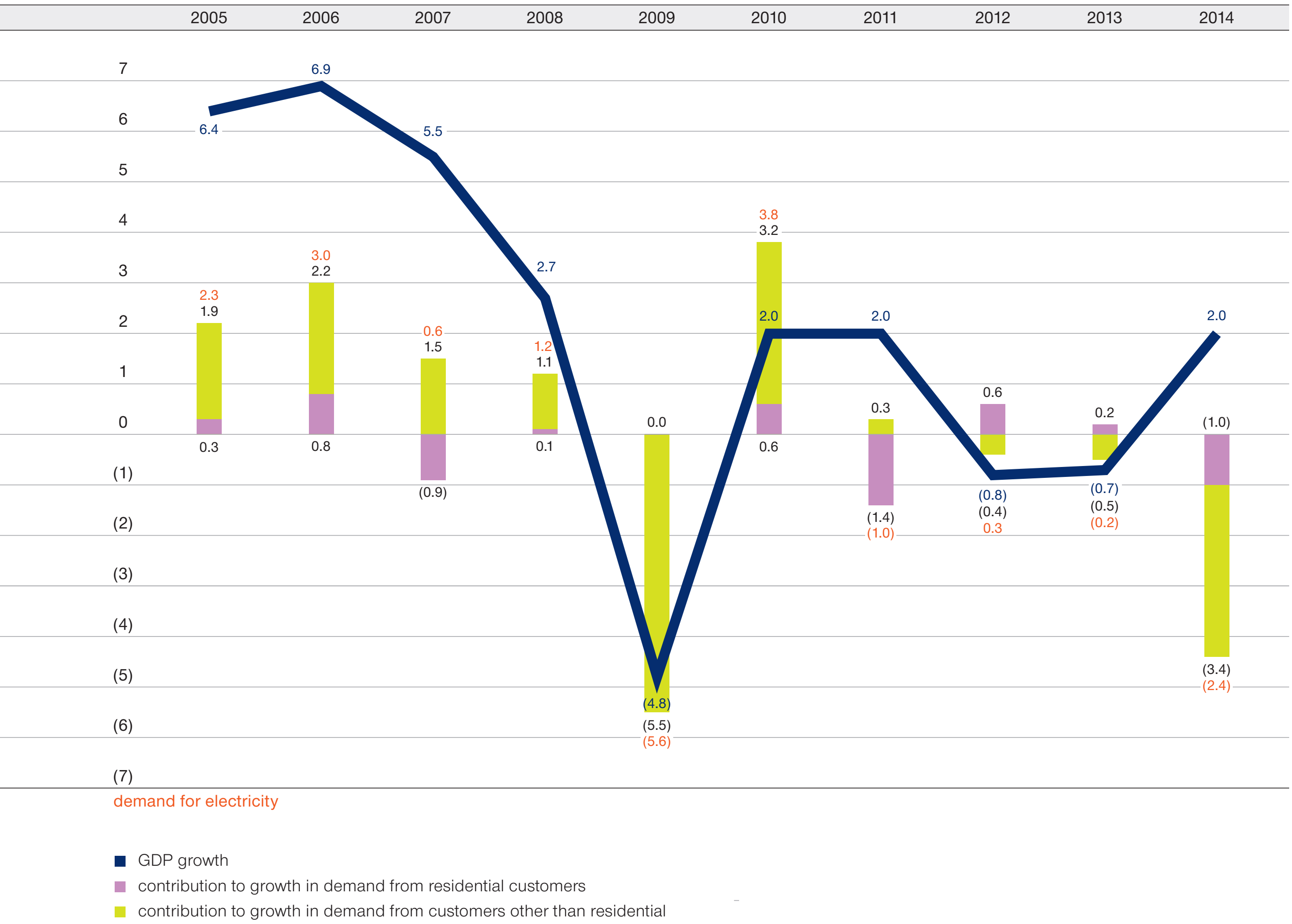
Selected Indicators in the Czech Republic

Demand for Electricity in the Czech Republic (GWh)

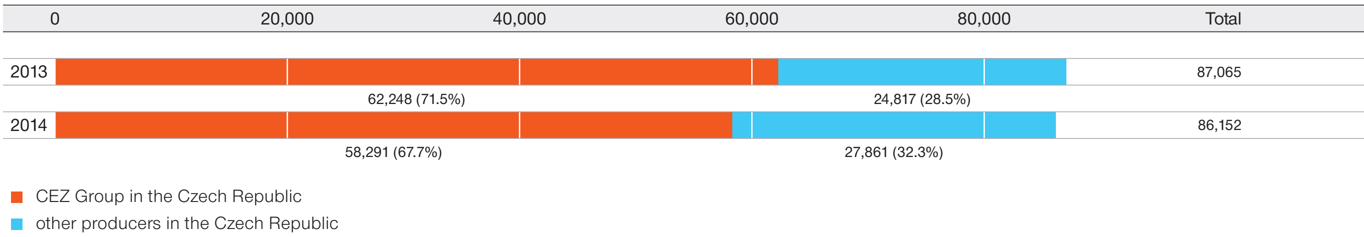


Note: Data for 2014 valid as at March 18, 2015.

Comparison of Gross Domestic Product and Demand for Electricity in the Czech Republic (Year-on-Year Change in %)



Electricity Generated in the Czech Republic, Gross (GWh)



Brief Forecast of Energy Sector Development in the Context of CEZ Group

Europe’s energy sector will continue to be affected most significantly by the European Union’s policies, developments in global energy commodities, and appearance of new technologies.

The European Union promotes market liberalization and integration and the implementation of its climate policy (“decarbonization”) in the energy sector. As part of the decarbonization agenda, the European Council approved the Commission’s proposal for new 2030 targets in October 2014. By 2030, CO_2 emissions should be reduced by 40% compared to 1990. The Council also approved a target of 27% as the share of renewable energy in the EU and an indicative target of increasing energy efficiency by 27%. The framework also includes a reform of the emission trading system to begin in 2021 or earlier. The system should be complemented with a mechanism stabilizing the market in emission allowances, a flexible reserve (called Market Stability Reserve), which would improve its resilience to major shocks by adjusting the supply of allowances to be auctioned. The current low prices of emission allowances are a result of an increasing surplus of allowances caused by a downturn in economic activity in the previous years. In addition, the price is adversely affected by uncertainty about future emission regulation. Today’s price level fails to drive investment in low-emission technologies or fuel substitution, which is contrary to the EU’s long-term goals in emission reduction (up to 80% down from the 1990 level by 2050).

The electricity market will continue to be highly influenced by the development of renewable energy production. Renewable energy sources covered more than 24% of European energy consumption in 2013 and their share will keep increasing—it should reach 47% by 2030. This will mean less space for conventional energy; in addition, the increased production of photovoltaic power plants drives down the prices of electricity during existing peaks. The unstable supply depending on weather then requires large security capacities or reserves. However, the market deformed by the constant creation of new regulatory measures lacks the necessary stability for market-based decisions on long-term investments and tens of gigawatts of conventional capacities are being shut down throughout Europe due to economic uncompetitiveness.

As a result, a number of European countries are considering introduction of capacity payments or markets to ensure sufficient available capacities. Such plans, however, are usually made at national level, and not coordinated among states very much, so the introduction of such support mechanisms could have an adverse impact on the effectiveness of the wholesale market.

A rapid growth in generation at rather unstable photovoltaic power plants and wind farms, in particular, is also causing concern among transmission grid operators. Their European association (ENTSO-E) came up with a plan for the necessary strengthening of grids but the progress of construction has been much slower than needed.

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 the drop of oil prices, which slumped by 60% to less than 50 USD/bbl during the last year. In the middle term, the price of oil should grow again as its current low level does not allow investing in new fields needed to cover future demand; however, increased competition in production will probably prevent it from reaching previous years’ levels (~100 USD/bbl). The slump in oil prices was reflected in dropping prices of other energy commodities—coal and gas. The market price of coal is adversely affected, among other things, by China’s declining demand for coal imports. Global markets will remain sufficiently supplied in the near future thanks to steady progress in extraction technologies and slow growth of global demand.

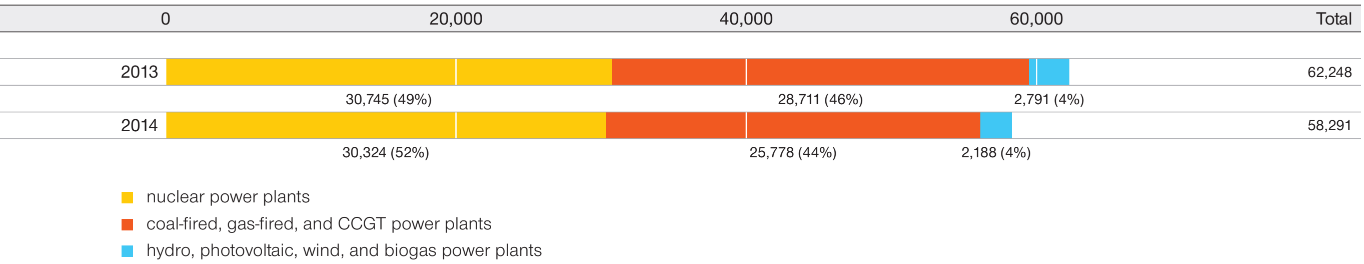
Another determining factor for the energy sector’s future is technology advancement. Significant progress has been made especially in renewable energy generation in recent years. Capital expenditures on photovoltaic panels have dropped by more than 70% during the past five years and another drop of tens of percent is expected by 2020. Costs have been decreasing and parameters have been improving in other types of renewable energy sources, small CHP units, or energy storage technologies. Technology advancement will result in an increasingly decentralized energy sector (based on customer installations) at the expense of large facilities. However, the development of distributed generation will be driven more and more by cost competitiveness rather than subsidies as before.

Electricity and Heat Generation

Electricity Generation

In 2014, CEZ Group's power plants in the Czech Republic generated a total of 58,291 GWh of electricity, 3,957 GWh (6.4%) less than in 2013.

Electricity Generated by CEZ Group in the Czech Republic, Gross (GWh)



Heat Generation

CEZ Group's heat generating plants in the Czech Republic sold a total of 16,729 TJ of heat to their customers in 2014, which is 2,846 TJ (15%) less than in 2013.

This significant decrease in the amount supplied was caused by an increase in average outside temperatures during the heating months, which were around 2.5°C above the long-term average.

Capital Construction

CEZ Group invested a total of CZK 20.2bn in electricity and heat generation including heat distribution in the Czech Republic in 2014.

Nuclear Power

Dukovany Nuclear Power Plant

Projects related to nuclear safety enhancement continued to be implemented. Measures were taken to provide alternative power supply, make reactor building structures more robust, and install additional systems for post-accident radiation monitoring. Work on the construction of a new backup heat rejector (forced-draft cooling tower) was started. There are also other investments made with the aim of production upgrading, stabilizing, safety, and efficiency in relation to the planned extension of operation beyond 2015. The operating license for Unit 1 will expire at the end of 2015, for Unit 2 at the end of 2016, and for Units 3 and 4 at the end of 2017.

Construction of a New Unit at the Dukovany Nuclear Power Plant

A long-term strategy was prepared for the site, dealing with various scenarios for its development in relation to the existing units, future demand for electricity, and increasing its current capacity. Reviews of water management calculations were finished and a model of water quality in the Jihlava basin was completed. The outputs confirmed feasibility of the addition of one unit to the Dukovany Nuclear Power Plant. Work on water management inputs to the EIA process was completed. The Institute of Physics of the Earth built and commenced measurement at five new stations monitoring microseisms in order to prove that the Dukovany site is seismically stable. There was a public hearing concerning an update to the State Energy Policy, which anticipates new construction at Dukovany.

The first zoning study update was completed; it provides further details on plant layout on the future construction site, including infrastructure connections. The document will be used as input into analytical documents for zoning plan updates.

A technical description of the site and interfaces is being prepared as a basis for future tender documents. Preparations are also underway for spinning off the project into a separate subsidiary.

Temelín Nuclear Power Plant

There was continued implementation of projects fulfilling requirements from the National Action Plan for Safety Enhancement, based on the results of nuclear plant stress tests that were carried out following the adverse events at the nuclear power plant at Fukushima, Japan. New independent alternative backup power supplies (diesel generators) for both units were handed over and subjected to operating tests. The installation of new low-pressure turbine components was completed during a scheduled outage of Unit 1, achieving the planned increase in turbine generator efficiency and, consequently, capacity.

Construction of New Units at the Temelín Nuclear Power Plant

On April 10, 2014, ČEZ, a. s. cancelled the award procedure for the construction of two new units at the Temelín Nuclear Power Plant. The decision was taken on the basis of increasing uncertainty in energy markets and a further drop in wholesale electricity prices, following the Czech government deciding in its resolution of April 9, 2014 that it will not provide any guarantee or stabilization mechanism for the construction of low-carbon facilities. However, the government also declared interest in further development of nuclear energy in the Czech Republic, promising to prepare a comprehensive plan for the field by the end of the year (the Ministry of Industry and Trade and the Ministry of Finance are to prepare a comprehensive development plan for nuclear energy as a follow-up to an update to the State Energy Policy).

The bidders—the consortium of Westinghouse Electric Company, LLC and Westinghouse Electric Company Czech Republic and the consortium of ŠKODA JS, Atomstroyexport, and JSC OKB Gidropress—were informed about the decision and further evaluations and negotiations to improve the bids were terminated.

However, ČEZ still intends to preserve and develop the value of the project for the construction of two new nuclear units at Temelín. Therefore, work on the project continues with the aim of preserving the necessary know-how and a functional investor team while minimizing the overall costs until a decision on further steps is taken. This includes preparations for alternative investing and financing arrangements that will take into account the Czech Government's declared interest in further nuclear energy development in the Czech Republic. There are also preparations for spinning off the project into a separate subsidiary underway.

As part of the continued project preparations, the State Office for Nuclear Safety issued a nuclear facility siting permit for Units 3 and 4 at Temelín on October 22, 2014.

Conventional Power

Work continued on the implementation of projects aimed to reduce NO_X emissions. In order to ensure safe heat supplies for the capital of Prague, heat output from the Mělník II power plant was connected to the Prague hot-water pipe, allowing to increase deliveries of cogeneration heat. Campaigns related to stabilizing the plant operation after its comprehensive renovation were underway at the Tušimice power plant.

Preparatory, designing, and implementing work was initiated on long-term projects relating to disposal of power plant by-products from new and comprehensively renovated plants in accordance with the approved policy.

Standard investments in plant upgrades and generation efficiency improvement continued at hydro power plants in line with the approved renovation program.

Comprehensive Renovation of Prunéřov II Power Plant

Equipment was installed in all power plant parts during 2014. Significant progress was made in the installation of boilers (concluded with an official pressure test); construction and installation work in the turbine hall was finished. Turbine generators were installed.

Construction of CCGT Facility at Počerady Power Plant

The construction of a CCGT plant at Počerady was completed on October 31, 2014 by signing the Preliminary Acceptance Certificate (PAC). The Energy Regulatory Office decided on granting an electricity generation license to the facility, effective from December 1, 2014. Local inquiry took place in November and the Ministry of Industry and Trade issued a certificate of occupancy on December 19, 2014. A six-month trial operation period commenced on the preliminary acceptance of the facility and will end on April 30, 2015. This will be followed by two-year warranty operation until October 2016, completed with the final acceptance of the plant.

Construction of New 660 MW Unit at Ledvice Power Plant

Installation was completed; primary tests of power system protection were carried out successfully in July. Then a wheel blade broke off of the NT2 low pressure rotor. The defect was rectified but the project has been delayed. The new facility is thus expected to be put into trial operation in Q3 2015.

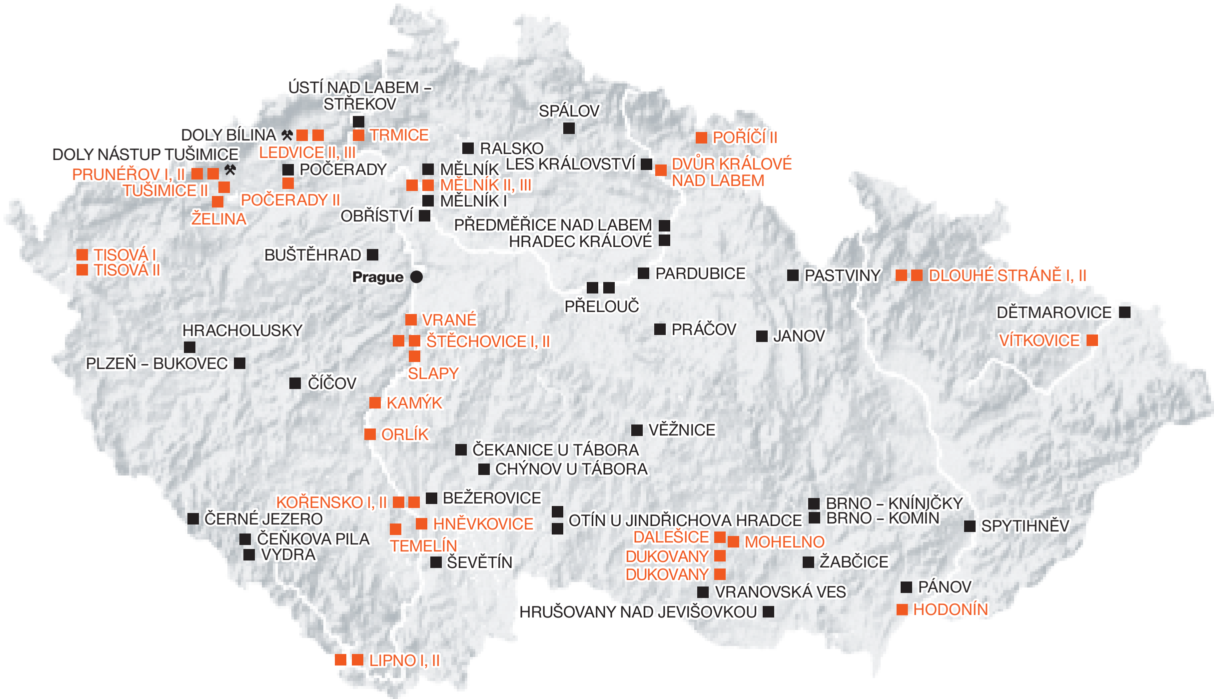
Heating Facility at Ledvice Power Plant

The new backup heating facility at the Ledvice Power Plant is to replace the existing, outdated backup facility supplying heat for the District Heating System (DHS)—a coal-fired boiler plant located in Proboštov near Teplice. Technically, the new backup heating plant is designed as a gas boiler plant intended primarily for the DHS of the cities of Teplice, Bílina, and Ledvice. It is located at a site cleared by the demolition of forced-draft cooling towers belonging to a previously decommissioned generating unit. The trial operation permit entered into effect on January 31, 2015.

Installed Capacity

As at December 31, 2014, CEZ Group owned generating units with a total installed electrical capacity of 13,469.6 MW in the Czech Republic. In comparison with the data published in the 2013 Annual Report, there has been an increase of 838.2 MW (6.6%). The increase was caused primarily by the commissioning of the CCGT facility at the Počerady II Power Plant. On the other hand reclassification of ČEZ Energo from a fully consolidated company to a joint venture contributed to a decrease.

Location of CEZ Group's Power Sources in the Czech Republic



■ power sources owned by ČEZ, a. s.
■ power sources owned by other CEZ Group member
⚒ mines owned by other CEZ Group member

List of CEZ Group Power Plants and Heating Plants in the Czech Republic as at December 31, 2014

Nuclear Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Dukovany	ČEZ, a. s.	4 x 510	1985–1987, renovated in 2009, 2010, 2011, 2012
Temelín	ČEZ, a. s.	2 x 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, 2014	Year commissioned
Počerady II	ČEZ, a. s.	gas	2 x 284.75; 1 x 275.4	2014
CCGT plants, total			844.9	

Coal-Fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned	Desulfurized since
Dětmarovice	Elektrárna Dětmarovice, a.s.	hard coal brown coal	4 x 200	1975–1976	1998
Ledvice II	ČEZ, a. s.	brown coal	2 x 110	1966	1996
Ledvice III	ČEZ, a. s.	brown coal	1 x 110	1968	1998
Mělník II	ČEZ, a. s.	brown coal	2 x 110	1971	1998
Mělník III	ČEZ, a. s.	brown coal	1 x 500	1981	1998
Počerady	Elektrárna Počerady, a.s.	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Prunéřov I	ČEZ, a. s.	brown coal	4 x 110	1967–1968	1995
Prunéřov II [1)]	ČEZ, a. s.	brown coal	5 x 210	1981–1982	1996
Tisová II	ČEZ, a. s.	brown coal	1 x 112	1961	1997
Tušimice II	ČEZ, a. s.	brown coal	4 x 200	1974–1975, comprehensive renovation 2007–2012	1997
Coal-fired power plants, total			5,252.0		

[1)] Comprehensive renovation of three units underway since September 1, 2012.

Heating Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned	Desulfurized since
Dvůr Králové nad Labem	ČEZ, a. s.	brown coal	1 x 3.5; 1 x 3.8	1955, 2011	1997
Hodonín	ČEZ, a. s.	brown coal	1 x 50; 1 x 57	1954–1958	1996–1997
Mělník I	Energotrans, a.s.	brown coal	4 x 60; 2 x 56	1959–1961	1995
Otín u Jindřichova Hradce	Energetické centrum s.r.o.	biomass	1 x 5.6	2008	
Poříčí II	ČEZ, a. s.	hard coal brown coal	3 x 55	1957–1958	1996, 1998
Tisová I	ČEZ, a. s.	brown coal	3 x 57; 1 x 12.8	1959–1960	1996–1997
Trmice	ČEZ, a. s.	brown coal	2 x 20; 3 x 16; 1 x 1	1970, 2013	1997
Vítkovice	ČEZ, a. s.	hard coal	2 x 16; 1 x 25; 1 x 22	1983–1995	
Heating plants, total			988.7		

Hydro Power Plants

1. Impoundment and Run-of-River Hydro Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Kamýk	ČEZ, a. s.	4 x 10	1961
Lipno I	ČEZ, a. s.	2 x 60	1959
Orlík	ČEZ, a. s.	4 x 91	1961–1962
Slapy	ČEZ, a. s.	3 x 48	1954–1955
Střekov	ČEZ OZ uzavřený investiční fond a.s. 1)	3 x 6.5	1936
Štěchovice I	ČEZ, a. s.	2 x 11.25	1943–1944
Vrané	ČEZ, a. s.	2 x 6.94	1936
Impoundment and run-of-river hydro power plants, total		723.9	

2. Small Hydro Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Brno – Kníničky	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 3.1	1941
Brno – Komín	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 0.106; 1 x 0.140	1923, renovated in 2008
Čeňkova Pila	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 0.096	1912
Černé jezero	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 1.5; 1 x 0.04; 1 x 0.37	1930, 2004, 2005
Dlouhé Stráně II	ČEZ, a. s.	1 x 0.163	2000
Hněvkovice	ČEZ, a. s.	2 x 4.8	1992
Hradec Králové	ČEZ OZ uzavřený investiční fond a.s. 1)	3 x 0.25	1926
Hracholusky	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 2.55	1964
Kořensko I	ČEZ, a. s.	2 x 1.9	1992
Kořensko II	ČEZ, a. s.	1 x 0.94	2000
Les Království	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 1.105	1923, renovated in 2005
Lipno II	ČEZ, a. s.	1 x 1.5	1957
Mělník	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 0.590	2010
Mohelno	ČEZ, a. s.	1 x 1.2; 1 x 0.56	1977, 1999
Obříství	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 1.679	1995
Pardubice	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 1.998	1978, renovated in 2012
Pastviny	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 3	1938, renovated in 2003
Plzeň – Bukovec	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 0.315	2007
Práčov	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 9.75	1953, renovated in 2001
Předměřice nad Labem	ČEZ OZ uzavřený investiční fond a.s. 1)	1 x 2.6	1953, renovated in 2009
Přelouč	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 0.68; 2 x 0.49	1927, renovated in 2005
Spálov	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 1.2	1926, renovated in 1999
Spytihněv	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 2	1951, renovated in 2009
Vydra	ČEZ OZ uzavřený investiční fond a.s. 1)	2 x 3.2	1939
Želina	ČEZ, a. s.	2 x 0.315	1994
Small hydro power plants, total		66.3	

3. Pumped-Storage Hydro Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Dalešice	ČEZ, a. s.	3 x 120; 1 x 115	1978
Dlouhé Stráně I	ČEZ, a. s.	2 x 325	1996
Štěchovice II	ČEZ, a. s.	1 x 45	1947–1949, renovated in1996
Pumped-storage hydro power plants, total		1,170.0	
Hydro power plants, total		1,960.2	

1) Generation license holder is ČEZ Obnovitelné zdroje, s.r.o.

Photovoltaic Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Bežerovice	ČEZ OZ uzavřený investiční fond a.s. [1)]	3.013	2009
Buštěhrad	ČEZ OZ uzavřený investiční fond a.s. [1)]	2.396	2010
Čekanice u Tábora	ČEZ OZ uzavřený investiční fond a.s. [1)]	4.48	2009
Dukovany	ČEZ, a. s.	0.01	1998, 2003
Hrušovany nad Jevišovkou	ČEZ OZ uzavřený investiční fond a.s. [1)]	3.802	2009
Chýnov u Tábora	ČEZ OZ uzavřený investiční fond a.s. [1)]	2.009	2009
Pánov	ČEZ OZ uzavřený investiční fond a.s. [1)]	2.134	2010
Přelouč	ČEZ OZ uzavřený investiční fond a.s. [1)]	0.021	2009
Ralsko	ČEZ OZ uzavřený investiční fond a.s. [1)]	55.762	2010
Ševětín	ČEZ OZ uzavřený investiční fond a.s. [1)]	29.902	2010
Vranovská Ves	ČEZ OZ uzavřený investiční fond a.s. [1)]	16.033	2010
Žabčice	ČEZ OZ uzavřený investiční fond a.s. [1)]	5.6	2009
Photovoltaic power plants, total		125.2	

Wind Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Janov	ČEZ OZ uzavřený investiční fond a.s. [1)]	2 x 2	2009
Věžnice	ČEZ OZ uzavřený investiční fond a.s. [1)]	2 x 2.08	2009
Wind power plants, total		8.2	

Biogas Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned
Číčov BGP	ČEZ OZ uzavřený investiční fond a.s. [1)]	biogas	1 x 0.526	2011
Biogas plants, total			0.5	

[1)] Generation license holder is ČEZ Obnovitelné zdroje, s.r.o.

Fuel

Nuclear Fuel

Fuel for the Dukovany Nuclear Power Plant is sourced under a long-term contract with Russian company OAO TVEL, which not only fabricates the fuel but also provides conversion and enrichment services as well as some of the base raw material (uranium). In 2013, the EURATOM Supply Agency approved an amendment to the contract, which secures fuel for another 10 years. Work was completed on the development program and licensing of new fuel specified in the contract amendment in 2012. The first delivery took place in 2014 and Unit 1 was refueled with the new type of fuel. All four units at the Dukovany Nuclear Power Plant are operating at an increased output of over 500 MW.

The Temelín Nuclear Power Plant continued to operate with OAO TVEL fuel in both units in 2014. The TVSA-T fuel that both units are currently running on allowed switching to operation with an increased output of 104% and has the potential to enable safe operation of the units in a four- to five-year work cycle. The fuel was confirmed to work reliably and provide space for faster fuel reloading during outages. The process of developing and licensing minor 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. In addition, a contract amendment was signed with the 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 years 2015–2018.

Raw uranium and its processing (conversion and enrichment services) for nuclear fuel fabrication were sourced under long-term contracts. Nearly one-third of overall uranium needs is covered on a long-term basis by supplies from the domestic uranium producer DIAMO, státní podnik, with the remainder purchased from international suppliers or through direct deliveries of fuel (mostly for the Dukovany Nuclear Power Plant). There are contracts covering uranium, conversion, and enrichment needs until around 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, a. s. keeps a strategic inventory of uranium in various stages of processing at supplier sites.

Solid Fossil Fuels and Sorbents

Supplies of solid fuels for CEZ Group's coal-fired power plants in the Czech Republic in 2014 were dominated by brown coal with a total volume of 22.2m tons (94.8% of coal supplied). The top suppliers of brown power generation coal to ČEZ, a. s. in 2014 included Severočeské doly a.s., Vršanská uhelná a.s., and Sokolovská uhelná, právní nástupce, a.s.

Long-term coal supply contracts have been made with Severočeské doly a.s. (in effect until 2052—sales pre-contract), Sokolovská uhelná, právní nástupce, a.s. (in effect until 2027—sales contract), and Vršanská uhelná a.s., in effect until 2062 or until the exhaustion of the Vršany mine.

A medium-term sales contract has been made with Severočeské doly a.s. (for 2011–2015).

The amount of hard coal supplied to CEZ Group's power plants in the Czech Republic was 1.2m tons. A major portion of 0.75m tons (62.0%) was supplied by OKD, a.s.; the remaining 0.46m tons (38.0%) was imported 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 the Czech Republic totaled 1.075m tons in 2014.

Biomass Combustion and Co-Firing

Biomass consumption within CEZ Group in the Czech Republic totaled 319,645 tons in 2014.

Biomass was burnt at the Hodonín Power Plant (205,341 tons), Poříčí Power Plant (111,840 tons), and Dětmarovice Power Plant (2,464 tons).

Energetické centrum s.r.o. used a total of 48,084 tons of phytomass in its heating plant in Otín near Jindřichův Hradec in 2014.

Natural Gas

A long-term contract for gas deliveries has been made with RWE.

Electricity Generation Outlook

Nuclear Power Plants

Modifications to the turbo-generator sets at Unit 2 will be made at the Temelín Nuclear Power Plant in 2015. These will include in particular the replacement of three low-pressure rotors, including stator parts and the turbine control system. The change should increase the attainable capacity by 24 MW_e, similarly to Unit 1 where it was undertaken in 2014. There will be a standard refueling-related outage at Unit 1. Campaigns resulting from recommendations arising from stress tests will be completed during outages.

Standard planned outages and work related to refueling will take place at all four units of the Dukovany Nuclear Power Plant. Campaigns resulting from the outcomes of stress tests will be undertaken during 2015, including, among other things, enhancing the resistance of selected structures to extreme climatic conditions and earthquakes. Finishing projects will include the commissioning of new forced-draft towers.

The nuclear power plants are expected to increase their production by 1.3 TWh year-on-year from 2014 values.

Coal-Fired and Gas-Fired Power Plants

Major investment projects initiated in the past period will continue in CEZ Group's coal-fired power plants in 2015. Environmental upgrades will be completed at four generating units of the Počerady Power Plant, two generating units of the Dětmarovice Power Plant, and four boilers at the Mělník I Power Plant owned by Energotrans, a.s. The units should commence standard operation after their completion.

Comprehensive renovation and construction of units continues, too. A major milestone in 2015 will be the commissioning of a new 660 MW coal-fired unit at the Ledvice Power Plant. The comprehensive renovation of the Prunéřov II Power Plant is planned to be completed by the end of 2015. Following the completion of comprehensive renovation of the Tušimice II Power Plant, the operation stabilization program will continue, now involving the last unit (Unit 1).

The fossil fuel-burning (coal-fired and gas-fired) power plants, including the CCGT facility, are expected to increase their production in 2015 by 4.7 TWh in comparison with the actual production in 2014. Increased generation is expected primarily at the new unit of the Ledvice Power Plant, the three refurbished units at the Prunéřov II Power Plant, and the environmentally upgraded unit of the Počerady I Power Plant.

Hydro Power Plants

Major repairs are planned for the Lipno I, Orlík, Dalešice, and Dlouhé Stráně hydro power plants. The Dlouhé Stráně pumped-storage plant will undergo a planned repair of the cladding of the upper reservoir. The hydro power plants are expected to generate around 0.3 TWh more than they actually did in the year 2014, which was characterized by lower availability as well as low flow rates. The utilization of the Dalešice and Dlouhé Stráně pumped-storage power plants is also planned to grow.

Heat Generation Outlook

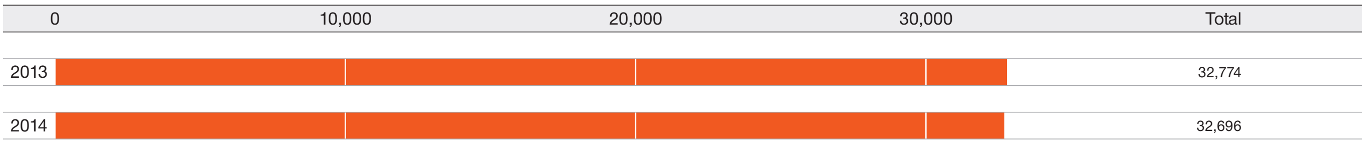
ČEZ Teplárenská, a.s. became the successor company for TEPLO KRKONOŠE a.s. and VRCHLABSKÁ TEPLÁRENSKÁ, s.r.o. with effect from November 1, 2014. The consolidated CEZ Group thus acquired a heat selling business in Vrchlabí, a Giant Mountains resort where CEZ Group implements its Smart Region project. Its sales of heat will thus grow by around 66 TJ a year. At the end of 2014, ČEZ Teplárenská purchased the heat distribution facilities in the city of Mělník from Elektrárny Opatovice, a.s. This is another step towards streamlining and stabilizing the utilization of heat from ČEZ plants at Mělník for heating purposes.

Distribution and Sale

Electricity Distribution

Electricity is distributed in the Czech Republic by ČEZ Distribuce, a. s., which arranged for 32,696 GWh of electricity to be supplied to customers in 2014. The year-on-year decrease of 78 GWh was caused primarily by a drop of 527 GWh in demand for electricity at the low-voltage level due to climatic conditions in winter months. By contrast, there was a year-on-year increase of 170 GWh at the high-voltage level and 279 GWh at the medium-voltage level.

Electricity Distributed by CEZ Group to End Customers in the Czech Republic (GWh)



Capital Construction

CEZ Group's capital expenditures on distribution in the Czech Republic were CZK 7.95bn in 2014. The principal objective of investing in power system renovation and development is improving the quality, reliability, and safety of the distribution grid, along with automated grid control. The capital expenditures went mostly into grids at all voltage levels and into transformer station reconstructions. Capital expenditure on construction projects initiated by customers totaled CZK 2.2bn. Once again, capital expenditure was also made on Smart Region, a project to cover a selected area with a smart grid that will allow efficiently combining electricity generation from traditional and alternative sources in efficient way. Such grids can respond to impending overloads by redirecting the flow of electricity to prevent potential outages, leading to increased end customer satisfaction. The most important CAPEX projects included reconstruction of 110kV substations at Albrechtice, Přeštice, and Babylon, as well as reconstruction of the 110kV Studénka–Třebovice, Bezděčín–Semily, and Pečky–Kolín West lines.

Electricity Distribution Outlook for 2015

ČEZ Distribuce, a. s. expects to supply 32.5 TWh of electricity to customers in 2015.

Sales

CEZ Group offered end customers in the Czech Republic the following commodities and related services in 2014:

- Electricity (ČEZ Prodej, s.r.o., ČEZ, a. s., Elektrárna Počerady, a.s., Elektrárna Dětmarovice, a.s., Energotrans, a.s., and Energetické centrum, s.r.o.);
- Natural gas (ČEZ Prodej, s.r.o., ČEZ Energetické služby, s.r.o.);
- Heat / thermal energy (ČEZ, a. s., ČEZ Teplárenská, a.s., Energetické centrum s.r.o., ČEZ Energetické služby, s.r.o., Energotrans, a.s., Elektrárna Počerady, a.s., Elektrárna Dětmarovice, a.s.);
- Electricity distribution (ČEZ Distribuce, a. s.).

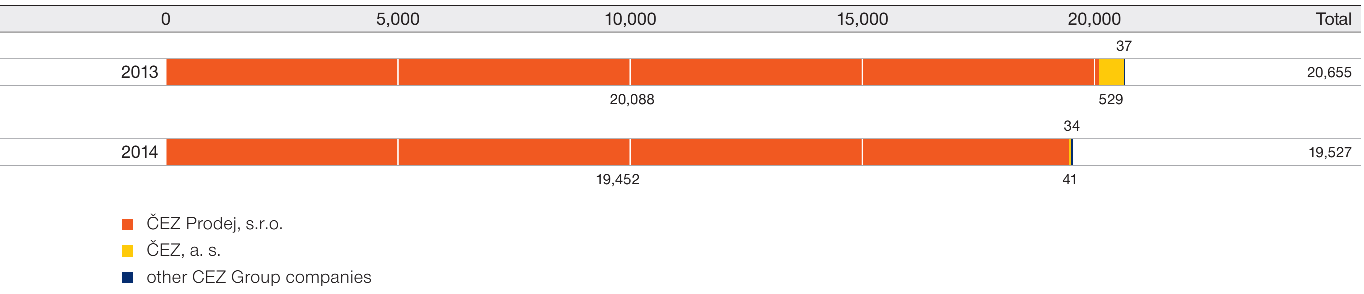
Customers in the Czech Republic can order electricity and natural gas as the commodity alone (Electricity / Natural Gas Supply Contract) and purchase distribution services directly from a competent distributor under a separate Distribution Service Contract. However, the much more frequent form is "integrated supply" under an Integrated Supply Contract for the commodity in question, under which ČEZ Prodej, s.r.o. 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.

Electricity Sold to End Customers

The retail electricity market (market in electricity supplies to end customers) is fully liberalized in the Czech Republic. The active approach of several dozens of electricity traders makes for a highly competitive environment comparable to developed European markets.

The CEZ Group company in charge of selling electricity to end customers in the Czech Republic is ČEZ Prodej, s.r.o., which, despite ongoing fierce competition, maintains its leading position in the market in all customer segments—large customers, commercial retail, and residential customers.

Electricity Sold by CEZ Group to End Customers in the Czech Republic (GWh)



In 2014, ČEZ Prodej, s.r.o. supplied an aggregate total of 19.452 TWh of electricity to its customers, which represents a market share of 34.3%. There was a decrease of 0.64 TWh in comparison with 2013, primarily due to loss of customers. However, the loss was significantly reduced year-on-year in 2014, similarly to 2013, thanks to proactive retention and innovations in the offer of products, among other things.

Sales of Natural Gas

At CEZ Group, gas sales to end customers in the Czech Republic are handled primarily by ČEZ Prodej, s.r.o., which offers all customers (large customers, medium customers, small customers, and residential customers) a complete portfolio of natural gas products. Since its successful entry into the natural gas market, CEZ Group has been strengthening its market share in the residential category in which it acquired more than 25,000 new connection points in 2014. The growth is a very good result in the context of a significant reduction in the overall number of supplier switches.

In addition to high-quality services, ČEZ Prodej, s.r.o. provides end customers with financially advantageous terms. Prices of CEZ Group's supplies of natural gas to large end customers are derived from the most favorable prices/products in the wholesale market at the moment. Residential and small business customers wishing to enter into an integrated gas supply contract with ČEZ Prodej, s.r.o. are offered a wide range of favorably priced products they can choose from according to their needs.

In 2014, ČEZ Prodej, s.r.o. supplied its end customers with an aggregate total of 4.5 TWh of natural gas (including 4.0 TWh supplied to end customers outside CEZ Group), representing a 5.8% share of all supplies to end customers and around 10.6% share of the residential segment. The total market share thus grew by 0.3% over the year before.

Besides ČEZ Prodej, s.r.o., considerably smaller amounts of natural gas are sold to end customers by ČEZ Energetické služby, s.r.o., which supplied 0.08 TWh of natural gas in 2014 (including 0.02 TWh to end customers outside CEZ Group).

Sales of Other Products and Services

ČEZ Prodej, s.r.o. is one of the largest mobile virtual network operators (MVNOs) in the Czech Republic, with more than 80,000 customers having ordered its services during the first year. ČEZ Prodej, s.r.o. is a fully-fledged MVNO with its own offer of products; in other words, it does not merely resell the products of existing operators. In terms of the scope of its services, it belongs to the medium-sized MVNO category. The most attractive features include users' ability to choose packages according to their individual needs without any commitment as well as unlimited calls. Customers purchasing electricity or natural gas from ČEZ Prodej, s.r.o. get free SMS messages in the home network.

Since October 2014, customers have been able to use a smart phone to manage their customer account. The ČEZ ON-LINE service, originally available on desktops only, is now freely accessible from mobile devices running Google's Android and Apple's iOS. The mobile application is one of the many steps CEZ Group has taken to improve customer satisfaction, with a large portion of such innovations concerning improvement in service speed and availability. For example, a payment gateway on the ČEZ website was launched alongside the mobile app to allow customers to use bank cards to pay their bills. The ČEZ Energy Guide was prepared to enable customers to easily learn how to use energy more efficiently. Another newly introduced service is special consulting on energy legislation, helping our customers, for instance, with switching their supplier, dealing with inheritance, or in case of insolvency.

Approach to the Corporate Customer Segment
Established in 2014, ČEZ ESCO was created with a vision of providing customers with all they can ask for within their energy needs. It will offer services related to reducing heat leakage, installation and operation of a local generating facility or distribution system, and electricity and gas deliveries.
The target audience of ČEZ ESCO will be industrial companies, small and medium-sized businesses, public, municipal, and private organizations, and companies managing buildings and sites of all types (from residential and administrative buildings to hospitals and schools to sporting grounds).
ČEZ ESCO services will include the whole facility life cycle from project preparation (study, design), installation (including financing, if required), to subsequent operation and maintenance.

Electricity and Natural Gas Sales Outlook for 2015

Sales of Electricity to End Customers
CEZ Group expects to sell roughly the same amount of electricity in all segments in 2015 as it did in 2014. The volume sold (and the market share) is expected to stabilize in spite of the highly competitive environment thanks to optimized retention activities, continued acquisition of new customers, proactive expansion of the product offer, and the high quality of provided services. In general, we also expect that because of the level of market liberalization the number of customers that will switch their commodity supplier in 2015 will be similarly low as in 2014 if not lower.

Sales of Natural Gas
On the market in natural gas, CEZ Group expects to deliver to their customers in the Czech Republic around 0.5 TWh of gas more in 2015 than it did in 2014. We expect sales to grow especially in the residential and corporate client segments.

Approach to the Corporate Customer Segment
In the corporate customer segment, 2015 will be a year of close collaboration between ČEZ ESCO and ČEZ Prodej in offering energy products and services as well as in serving this segment. Both companies will jointly strive to identify new business opportunities and then prepare and implement solutions covering the energy needs of these customers with the aim of providing them with effective and comprehensive services in this area.

Trading in the Wholesale Market for 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,
- Selling ancillary services provided by CEZ Group's plants,
- Procuring electricity for resale to end customers,
- Proprietary trading in electricity, EUAs, CERs, natural gas, oil, and hard coal.

When operating on the markets of individual countries, CEZ Group companies must respect the specific situation resulting from local energy legislation, the status of electricity market liberalization, the balance between supply and demand, the possibilities of trans-border supplies, and other factors.
In 2014, ČEZ, a. s. was selling electricity for 2015 through 2020 using mainly standard products (annual, quarterly, monthly) on the OTC market, and during the year 2014 itself also on spot exchanges and intraday platforms. ČEZ, a. s. continued to sell the ancillary services provided by its power plants, mostly to the transmission grid operator, ČEPS, a.s.

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. It served partly to hedge future sales of electricity generated by corporate plants (up until 2023) or to hedge future provisioning of electricity for end customers and partly for purchases of additional electricity in the event of unavailability of corporate power plants.
Proprietary trading involves mainly commodities that have been traditional for ČEZ, a. s., such as electricity or emission allowances. Other traded commodities included natural gas in the form of futures products on IntercontinentalExchange (ICE) in London, the European Energy Exchange (EEX) in Leipzig, and other trading platforms. Last but not least, ČEZ, a. s. trades in hard coal using futures-type products on ICE in London and the OTC market in commodity coal swaps. ČEZ, a. s. also traded in options with electricity, EUAs, and hard coal as their underlying assets in 2014.

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 Developments in the Legislative Framework for the Energy Industry in the Czech Republic).

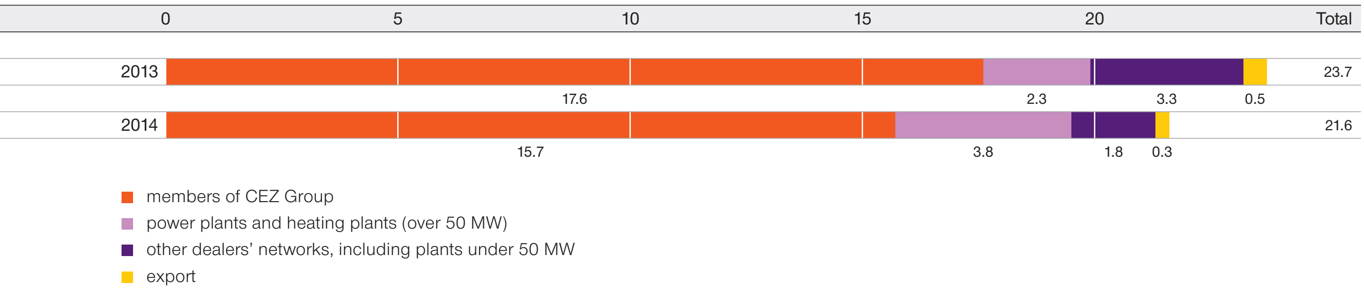
Mining

Severočeské doly a.s.

Mining activities and coal extraction constitute the core business of Severočeské doly, a.s. (www.sdas.cz 1). The company maintained its position as the largest Czech brown coal company in terms of coal production volume in 2014. However, since a majority of its production is intended for in-house consumption within CEZ Group, Severočeské doly, a.s. is one of the smaller players in the free coal market. Coal is extracted in the Nástup Tušimice Mines and Bílina Mines.
The Bílina Mines, operating in the Teplice–Bílina area, extract coal with a high calorific value and low content of harmful substances. They supply power coal primarily to the Mělník I, Mělník III, and Ledvice power plants and large heating plants. Their 2014 production was 9.4m tons of coal. This required removing 56.5m cubic meters of overburden. An important item in the company's portfolio is the Bílina sorted coal, of which it supplied 1.9m tons.
The Nástup Tušimice Mines extract brown coal in the westernmost part of the Ústí nad Labem Region between the municipalities of Černovice, Spořice, Droužkovice, and Březno. Their 2014 production was 12.2m tons of coal. Most of the production was delivered to local power plants in Tušimice and Prunéřov, with some deliveries to the Mělník and Počerady power plants and the Komořany heating plant. The amount of overburden removed reached 26.7m cubic meters.

Coal Sales
Severočeské doly a.s. sold a total of 21.6m tons of fuel in 2014, registering a year-on-year decrease of 2.1m tons.

Coal Sales, by Customer (millions of tons)



Capital Construction

Severočeské doly a.s. spent CZK 2.5bn on capital construction in 2014.
The major part of capital construction consisted of projects reacting to the progress of extraction in the two mines. Mining, dressing, and crushing equipment was delivered, renovated, and upgraded. Major projects for capital expenditure on mining machinery included the Renovation of Boom Tips on K 2000 & KU 300/K91 Bucket-Wheel Excavators, Delivery of a PVZ 2500P Mobile Conveyor, and upgrades to long-distance conveyor systems at both mines. Crushing and sorting equipment was procured and renovated to improve the quality of coal supplied.
Major capital construction items are stability measures at mining benches and dumps and drainage projects at both mines, including the construction of pumping stations.
The most important projects undertaken to reduce the adverse effects of mining on surrounding communities include the Relocation of the Ledvice Coal Dust and Sized Coal Loading Area, Ledvice Protective Embankment, Březno Protective Embankment, and Upgrade to the Mine Water Treatment Plant at the Nástup Tušimice Mines.

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Brown Coal Mining Outlook for 2015
Severočeské doly a.s. plans to produce 23.6m tons of coal in 2015. 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 spol. s r.o.
ČEZ, a. s. owns a 51.05% stake in LOMY MOŘINA spol. s r.o. The company's core business is 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 CEZ Group's coal-fired power plants, to which it supplies approximately 600,000–750,000 tons of limestone per year, covering around 70% of their annual demand. In 2014, supplies to ČEZ, a. s. power plants totaled approximately 650,000 tons of limestone. The forecast for 2015 is around 750,000 tons. Customers purchasing construction aggregate, the company's other important commodity, are entities outside CEZ Group and the company sells them around 250,000–350,000 tons of the material per year. Verified limestone reserves provide good prospects for sustained, long-term extraction operations.

FutureMotion

CEZ Group continued with the development of activities focusing on innovative technologies in 2014. In a number of cases, these are longtime trends; as new technologies are put into practice faster and faster today, the trend is expected to accelerate in the future.
Support for various smart solutions and increasing consumer and customer interest in paying attention to not only costs but also the environmental impact of the products and services they use will significantly affect the energy sector too. CEZ Group wants to be ready for such development and to advance such technologies.

Electromobility
The CEZ Electromobility project continued according to the approved plan in 2014. A total of 39 charging stations were in operation at the end of 2014, including 5 ultra-fast charging stations with 50 kW output rating. Additional locations are in intensive preparation; the installation of additional charging stations will be affected by the completion date of the tendering procedure to select the supplier, which is expected in the first half of 2015. CEZ Group also expands the portfolio of its partners, both those at whose sites charging stations are built and those among government agencies, regional authorities, and municipalities. CEZ Group also added BMW and Volkswagen e-Golf cars to its fleet of electric cars and works intensively on greater utilization of electric cars within its own fleet.

Smart Region
The Smart Region project reached the end of its implementation phase in 2014—construction completion, commissioning, and functional checks. Voltage was completely unified at 35 kV, including substation refurbishment, telecommunication connectivity including WiMAX wireless communication was put into full operation and tested, a fast-charging station for electric cars was put into operation, a local control system linked to dispatching control was installed and one of its functionalities was programmed during 2014. Functional tests of low-voltage automation systems were started in June 2014. At the 10 kV voltage level, island operation with power supplied by a CHP unit was tested successfully, confirming the theoretical assumptions about the behavior of the physical parameters. Collaboration on the international Grid4EU project continued, allowing CEZ Group to share its knowledge and experience with real operation with other leading European distribution companies. Since October 2014, certain parts of the Smart Region project can be seen on a virtual tour at the ČEZ website: virtualniprohlidky.cez.cz/cez-vrchlabi 1.

AMM (Automated Meter Management—Smart Metering Systems)
As part of follow-up to the AMM pilot project, CEZ Group is beginning to actively offer new tariffs, in compliance with EU legislation. Customers with continuous low-voltage meters are newly offered a double tariff; we are working on enabling other customers to get a continuous meter for a fee. We expect that our offer of new products and services will grow thanks to continuous metering; customers will be able to not only monitor their consumption but also enjoy new services such as consumption prediction or bill simulation. We will then offer our customers alternative submetering with a range of analytical services and extensive energy consulting. There is a promising technology that allows local capacity balancing by consumption control in conjunction with smart meters; it is tested under a project named LODIS (Local Optimization of the Distribution System).

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STARRING Vincent, his two daughters, and Customer Care Center
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

episode 501

Synopsis: Monday morning. Vincent gets up at 5 a.m., gets in his car, and drives for an hour driving to the factory, where he spends the day doing monotonous work. After coming home, he would prefer to dig in the garden and enjoy being by himself, yet family duties constantly disrupt his inner peace. One day, his two daughters are waiting for him in front of the door. They teased each other after coming back from school, and now their cell phones do not work. How is this possible? Vincent sits down at the table and thinks. All afternoon and the entire evening. The next morning he gets up at 5 a.m., gets into his car, and spends an hour driving to the factory. The only thing he needs to do after his shift today is to visit the Customer Care Center in Karlovy Vary. Hopefully, they will help him find out why neither of the cell phones works...

Facts: Serving customers and meeting their needs is a priority for CEZ Group. A professionally trained team is prepared to handle even non-standard situations and provide advice in special cases.

Martina (one of the daughters): Dad just laughed after coming home; we couldn't understand why. Lenka and I apparently swapped our SIM cards in the cell phones! First our eyes widened, and then we got it! As we teased each other, our cell phones fell down, and as we were picking up the parts, each of us picked up the other's SIM card from the ground.

CEZ Group Abroad

Republic of Poland

Business Environment in the Electricity Sector

The Polish market is almost fully liberalized. The only regulated item is the level of household electricity tariffs, i.e. distribution and trading fees. Prices in the heat market are based on a tariff system and any change in prices requires approval by the Energy Regulatory Office.
As part of preparation for the third allocation period for housegreen gas emission allowances, Poland was granted an exemption and option to allocate free-of-charge emission allowances in—2013–2020—for electricity generation in exchange for investments in upgrades to existing facilities, with the aim of reducing greenhouse gas emissions. In addition, Poland will get free-of-charge allowances for heat production in the same period.
In October 2014, the EU Council finished defining energy and climate targets for 2030. Because of the country's high dependence on power generation from coal, Poland vetoed a proposal for a tighter EU emission reduction target for after 2020 as well as Roadmap 2050, the EU's long-term emission reduction plan, and is opposing any reform of the EU ETS, even before 2020.
In the context of reducing its electricity sector's emission intensity, Poland is endeavoring to develop nuclear energy. Two nuclear power plants with a total capacity of 6,000 MW are planned to be built after 2020.
Combined heat and power generation in Poland is supported through a system of red, yellow, and purple certificates, depending on whether heat is generated from coal or gas. Following almost two years of legal uncertainty when the color certificates system did not work properly, the situation was rectified in 2014 and the system's validity was extended until 2018. There is no information available yet on the area of support in question after 2018.
Generation of renewable energy is supported through a system of green certificates. An act on renewable energy sources passed in March 2015 specifies further details of support for biomass co-firing and support for wind energy and other renewables. The renewables act introduces a new support mechanism, an auction system (the applicable provisions are effective from January 1, 2016) with the aim to reduce the cost of support for the generation of renewable energy. Support for biomass co-firing is reduced in favor of wind and solar power.

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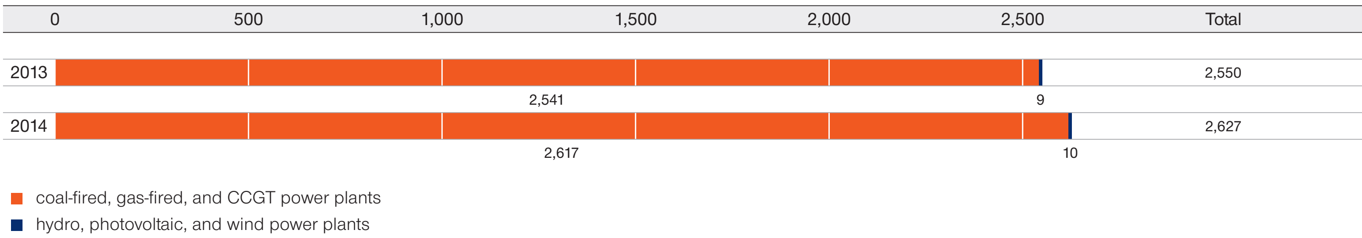
CEZ Group in the Republic of Poland

Electricity Generation

Electricity Generated in the Republic of Poland, Gross (GWh)



In 2014, CEZ Group power plants in the Republic of Poland generated 2,627 GWh of electricity, which means a year-on-year increase of 77 GWh (3.0%). The increase in production was primarily due to a higher share of biomass combustion at the ELCHO Power Plant with a constant amount of coal burned. The ELCHO Power Plant generated 368.7 GWh of electricity by biomass combustion in 2014, 86.5 GWh (30.6%) more than in 2013. The Skawina Power Plant did not generate any electricity by biomass co-firing in 2014 due to unfavorably developing market conditions.
The Skawinka small hydropower plant generated 4.1 GWh of electricity in 2014; the small hydropower plant at Borek Szlachecki, commissioned in May 2013, generated 5.9 GWh of electricity.

Heat Generation

The Polish power plants of CEZ Group sold a total of 4,545 TJ of heat in 2014, with the Skawina power plant accounting for 2,457 TJ and the ELCHO power plant accounting for 2,088 TJ.
The Skawina power plant supplied heat to one distribution company, MPEC (Miejskie Przedsiębiorstwo Energetyki Cieplnej S.A. w Krakowie), which supplies heat to the city of Cracow, and to three end customers.
The ELCHO power plant supplied heat to three distribution companies. As in the past, the dominant customer was Tauron Ciepło S.A. in Katowice (formerly Przedsiębiorstwo Energetyki Cieplnej Katowice S.A.), which supplies heat to the cities of Katowice, Chorzów, Świętochłowice, and Siemianowice Śląskie. The capacity of heat deliveries to the system of Tauron Ciepło S.A. was increased by 60 MW_t in 2014.

Capital Construction

Capital expenditures in Poland totaled CZK 0.3bn in 2014.
An overhaul and upgrade of turbine TG6 was started at the Skawina Power Plant. Eco-Wind Construction S.A. continues to develop an optimized portfolio of wind park projects.

Installed Capacity

As at December 31, 2014, CEZ Group companies owned generation facilities with a total installed capacity of 680.9 MW in the Republic of Poland: coal-fired power plants with 678.4 MW and hydro power plants with 2.5 MW.

Location of CEZ Group's Generation Facilities in the Republic of Poland

List of CEZ Group Power Plants in the Republic of Poland

Coal-Fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned	Desulfurized since
ELCHO	Elektrociepłownia Chorzów ELCHO sp. z o.o.	hard coal	2 x 119.2	2003	[1]
Skawina	Elektrownia Skawina S.A.	hard coal	4 x 110	1957	2008
Coal-fired power plants, total			678.4		

[1] ELCHO has complied with SO_X limits since commissioning.

Small Hydro Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Skawina/Skawinka	Elektrownia Skawina S.A.	1 x 1.6	1961
Skawina/Borek Szlachecki	Elektrownia Skawina S.A.	1 x 0.885	2013
Small hydro power plants, total		2.485	

Solid Fossil Fuels and Sorbents

In 2014, the Skawina and ELCHO power plants consumed a total of 1,260.6 thousand tons of hard coal, sourced from mining companies in their vicinity. The ELCHO 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., and PG Silesia Sp. z o.o. in 2014.

The Polish power plants also utilize biomass as a power generation fuel. The ELCHO power plant consumed 248.4 thousand tons of biomass in 2014.

Electricity Generation Outlook for 2015

CEZ Group power plants in Poland are projected to generate 2.9 TWh of electricity in 2015.

Sale of Electricity

Electricity is sold by CEZ Trade Polska sp. z o.o. as another line of business along with support for electricity trading. A total of 402 GWh was delivered to end customers in the large retail segment in 2014.

Electricity Sales Outlook for 2015

The volume supplied is expected to further grow to around 1.3 TWh in 2015 due to an increased number of customers in the portfolio. The company is also considering starting to sell gas.

Heat Sales Outlook for 2015

Heat sales are expected to total 5.5 thousand TJ in 2015.

Republic of Bulgaria

Business Environment in the Electricity Sector

Opening the electricity market continued faster after legislative changes in August 2013, which allowed medium-voltage clients to switch their supplier. The effective speed of market opening increased to 45% of the country's net final consumption in 2014. Households and businesses connected to the low-voltage grid are supplied at regulated prices using a system of quotas in accordance with the energy law and decisions of the regulator—the State Energy and Water Regulatory Commission (SEWRC). Producers offer electricity on the basis of public tendering procedures organized for delivery periods of usually 1 to 12 months. The open electricity market currently involves around 3,500 end clients, 100 traders, and 10 power plants.
The country's gross electricity production grew by 7% to 47 TWh, net final consumption remained relatively unchanged at 33.5 TWh. However, net export grew by 50% to 9.2 TWh following a substantial reduction in export fees (from 34.26 BGN/MWh in 2013 to 6.35 BGN/MWh).
A new market control system was introduced by the market operator, Electricity System Operator EAD (ESO) in June 2014 and a new balancing mechanism was established on the basis of offers and availability of suppliers of ancillary services. Joint annual, monthly and daily auctions of cross-border capacities are organized at all borders except for the border between Bulgaria and Turkey, where a 50/50 split is implemented.

CEZ Group in the Republic of Bulgaria

Regulation and Control

The regulator issued a new extraordinary price decision with effect from December 30, 2013, decreasing the level of allowable technological losses for the distribution company from 10% to 8%. Capital expenditures continued not to be allowed to be included in the price of electricity in advance, as is the case since the beginning of the third regulatory period. They are expected to be included afterwards, upon the submission of a detailed report. CEZ Razpredelenie Bulgaria AD filed an appeal against the price decision with the Supreme Administrative Court of the Republic of Bulgaria.
The regulator issued a decision on new prices with effect from July 1, 2014. Technological losses remained at the same level of 8%. The decision allows companies to bill a price of deviation balancing in their monthly bills. The maximum permissible deviation from a prediction that can be included in the final price of electricity is up to 0.5% for CEZ Razpredelenie Bulgaria AD and up to 1.5% for CEZ Elektro Bulgaria AD. Both CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD filed an appeal against it with the Supreme Administrative Court of the Republic of Bulgaria; see Litigation and Other Proceedings for details.
The regulator issued a decision on new prices with effect from October 1, 2014, which meant an increase of 9.79% in the final selling price. An appeal against this decision was also filed with the Supreme Administrative Court of the Republic of Bulgaria by CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD; see Litigation and Other Proceedings for details.
On March 19, 2014, the regulator SEWRC initiated proceedings against CEZ Elektro Bulgaria AD to revoke its license to supply electricity. The company considers the regulator's decision groundless.
The regulator conducted an audit of licensed activities in the period from July 1, 2008 through November 30, 2013 at CEZ Razpredelenie Bulgaria AD in 2014. The audit specification included an analysis and evaluation of all costs associated with the performance of licensed activities; 127 reports stating a breach of rules were issued during the audit. This was followed by issuing of 981 administrative decisions on a breach of obligations; ensuing steps are described under Litigation and Other Proceedings.
There were also tax audits conducted by the National Revenue Agency at CEZ Razpredelenie Bulgaria AD, CEZ Bulgaria EAD, and CEZ Elektro Bulgaria AD. The audits concerned income tax, value-added tax, and other taxes. CEZ Elektro Bulgaria AD appealed in part against the prepared audit reports and also filed a claim with the Administrative Court in Sofia for a corporate tax refund amounting to BGN 1m (approximately CZK 14m) for allowance for receivables, applying the three-year period of limitation.
The regulator, the Ministry of Economy, and the Commission for Consumer Protection checked compliance with specified meter reading dates in December 2014. The presented document showed that the company complied with legal requirements in a timely manner.

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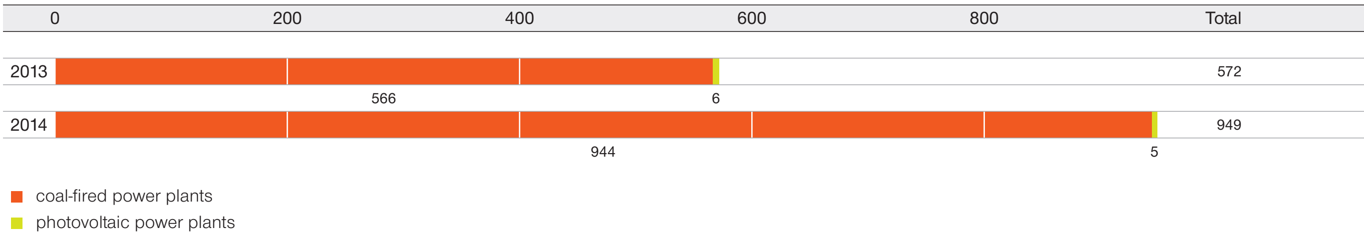
Electricity Generation

Electricity Generated in the Republic of Bulgaria, Gross (GWh)



The coal-fired Varna power plant generated a total of 944 GWh of electricity in 2014, 378 GWh (67%) more than in 2013. The main reason for the growth was higher production for the free market. By contrast, the power plant generated less electricity for the regulated market due to zero activation of the cold reserve by the market operator ESO and less quota production (production for the regulated part of the market in the amount specified by the market operator ESO at the price stipulated by the regulator SEWRC). The photovoltaic power plant in Oreshets supplied 5 GWh of electricity to the grid.

Heat Generation

The Varna power plant generated and supplied only a small amount of heat to sites in its vicinity (the village of Ezerovo). Revenue from this commodity was only marginal, amounting to approximately CZK 0.3m. No heat generation and sales are planned for 2015.

Capital Construction

In view of the current conditions on the electricity markets, CEZ Group decided in 2014 not to invest in environmental upgrades to the Varna power plant, which is a prerequisite for its continued operation after December 31, 2014, because such investment cannot generate positive return under the current conditions.
The implementation of the project for the construction of a biomass combined heat and power plant (BCHP) at Bara Group OOD, with a maximum installed capacity of 2 MW, continued in 2014. CZK 0.04bn was invested in the project in 2014. The capital expenditure is made in connection with the obligation to invest in renewables in Bulgaria, set down in the contract for the purchase of the coal-fired Varna power plant. A contract for engineering, delivery, and construction (EPC contract) was signed in May 2014, construction also started in May 2014, and most engineering work has been finished by now. Some of the crucial equipment, such as a Jenbacher engine, and ZeroPoint gasification unit have been delivered. Plant operation and maintenance policies are being prepared at the moment.

Installed Capacity

CEZ Group has an installed capacity of 1,265 MW in Bulgaria: 1,260 MW in a coal-fired power plant in Varna and 5 MW in a photovoltaic power plant at Oreshets.

Location of CEZ Group's Generation Facilities in the Republic of Bulgaria

List of CEZ Group Power Plants in the Republic of Bulgaria

Coal-Fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned
Varna	TEC Varna EAD	hard coal	6 x 210	1968–1969, 1977–1979
Coal-fired power plants, total			1,260.0	

Varna power plant Units 4, 5, and 6 have been shut down since January 1, 2013, January 1, 2014, and January 1, 2015, respectively, due to non-compliance with environmental limits set down in the integrated permit; Units 1, 2, and 3 are operating under a "derogation regime", with limited operating hours per year.
The shutdown units cannot operate until a costly environmental upgrade is made to the power plant. However, the operation of all units is also conditional on a reconstruction of the fly ash and slag repository to comply with European directives. 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 adjustments. Negotiations are currently held with parties interested in leasing or buying the power plant.

Photovoltaic Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Oreshets	Free Energy Project Oreshets EAD	5.0	2012
Photovoltaic power plants, total		5.0	

Solid Fossil Fuels and Sorbents

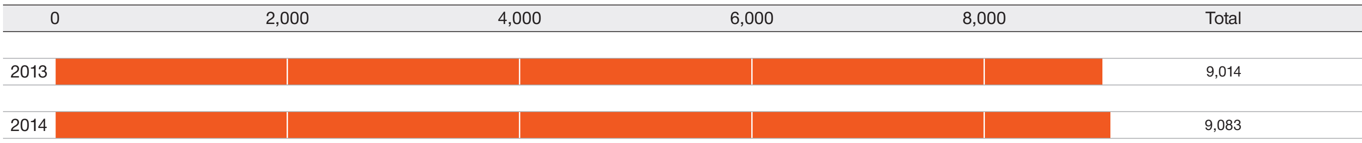
The Varna power plant consumed a total of 416 thousand tons of hard coal (anthracite) in 2014. The demand was covered by imports from Russia and Ukraine; the coal was transported to Varna from Mariupol, Ukraine in 2013.

Electricity Generation Outlook for 2015

The Varna power plant was shut down on January 1, 2015 due to non-compliance with environmental limits, so no electricity generation is planned in 2015. The Oreshets Power Plant is planned to generate 6 GWh; the prepared biomass power plant should generate 7 GWh of electricity.

Electricity Distribution

Electricity Distributed to End Customers in the Republic of Bulgaria (GWh)



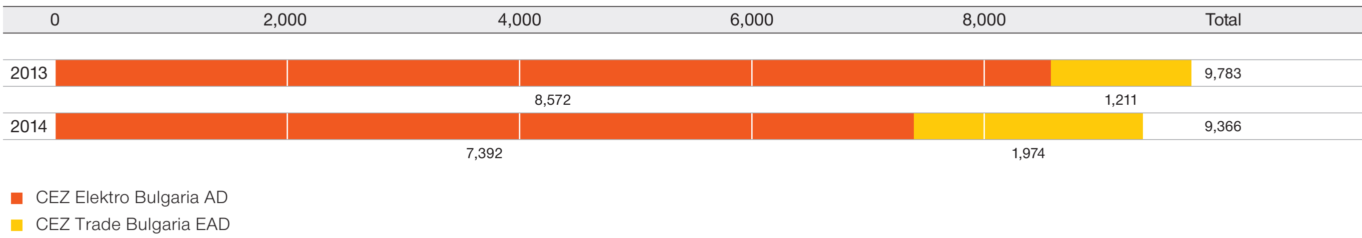
The volume of electricity distributed to end customers in the area served by CEZ Group in 2014 increased by 69 GWh (1%) year-on-year, to 9,083 GWh. The reason is a slight increase in consumption among residential customers and corporate customers at the medium-voltage level; in contrast, the consumption of corporate customers at the low-voltage level decreased. In year-on-year terms, losses in the distribution grid were reduced, with reductions seen in both technical losses due to targeted investments in grid infrastructure (transformer replacements and upgrades, replacements of electric meters) and non-technical losses thanks to further optimization of the management process.

Capital Construction

Capital expenditures on distribution in Bulgaria were CZK 0.7bn in 2014. They were aimed primarily at improving distribution grid quality, replacing electric meters, critical infrastructure in Sofia, new connections to the distribution grid, and purchasing power structures pursuant to the Energy Act. Capital expenditure in 2015 will be aimed at the same areas.

Electricity Sales

Electricity Sold to End Customers in the Republic of Bulgaria (GWh)



The sales company CEZ Elektro Bulgaria AD sold a total of 7,392 GWh of electricity to end customers in 2014, which was a decrease of 1,180 GWh year-on-year. The decrease was due to lower sales to corporate customers at the medium-voltage and low-voltage levels, with some of them switching to a different seller on the free market.
CEZ Trade Bulgaria EAD sold 1,974 GWh of electricity to end customers on the free market in 2014.

Electricity Distribution and Sales Outlook for 2015

CEZ Group expects a small decrease in the volume of electricity distributed in 2015 due to a slight decrease of consumption by residential customers. As for electricity sales, it expects a decrease on the year 2014 in connection with further liberalization of the corporate segment, with some customers switching to another electricity seller.

Romania

Business Environment in the Electricity Sector

The legal framework of the energy sector is similar to the model common in other EU member states. Activities have been unbundled and partially privatized. However, most generation assets are concentrated in state-owned companies. Besides the state-owned companies Hidroelectrica, Nuclearelectrica, and Termoelectrica, major producers also include several private entities, of which the largest ones are the Fântânele and Cogealac wind parks owned by CEZ Group. Some municipal or local heating plants are owned by municipalities. The transmission grid is managed by Compania Națională de Transport al Energiei Electrice “TRANSELECTRICA” S.A. The distribution segment has the highest level of private ownership. Five distribution regions are served by distribution companies that were privatized to foreign investors, including CEZ Group.
The state-owned stake in the company Electrica, which serves around 3.5m customers in the remaining three distribution areas, was privatized under the auspices of the International Monetary Fund and the European Bank for Reconstruction and Development (EBRD) in June 2014. The form was an initial public offering at the Bucharest and London stock exchanges.
Regulatory activities are undertaken by the Autoritatea Națională de Reglementare în domeniul Energiei (ANRE). Liberalization of the sales segment continued during 2014 according to the specified schedule. Full market liberalization in the corporate customer segment was completed in 2013 and should be completed for households in 2017.
A major portion of production is traded in the form of either annual contracts or daily deliveries. The administrator of the electricity market is Societatea Comercială Operatorul Pieței de Energie Electrică şi Gaze Naturale—OPCOM S.A.
A market coupling project was successfully launched on November 19, 2014, under which Romania was to join the common wholesale electricity market of the Czech Republic, Hungary, and Slovakia. The wholesale electricity markets of the participating countries are now coupled within a common platform.
Romania supports electricity generated from renewable energy sources 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 parks can temporarily trade in just one of two certificates allocated per generated MWh. The withheld certificates for wind parks should be traded from January 1, 2018 until the end of 2020.

CEZ Group in Romania

Regulation and Control
The regulator published a new decision on tariffs for end customers with regulated electricity prices effective from July 1, 2014. The variable component of the most widely used household tariff grew by 1.88%; the average overall price for households decreased by 0.9%. The regulator also abolished an export surcharge on exported electricity with effect from the same date.
The regulator ANRE increased distribution tariffs for all voltage levels year-on-year with effect from January 1, 2015. The increase is 4.6% at the high voltage level, 4.5% at the medium-voltage level, and 0.16% for customers at the low-voltage level. For CEZ Distributie S.A., this means an average tariff increase of 1.59%. In addition, there was an extraordinary change to the tariff decree, by which the regulator decreased the regulated return on distribution assets from the original 8.52% to 7.70%.
Pursuant to Act No. 220/2008 on renewable energy sources, individual notification to (separate approval by) the European Commission is required for renewable energy sources with an installed capacity greater than 125 MW. The temporary two-year accreditation for the allocation of green certificates to the Cogealac wind park, consisting of 101 wind turbines with an installed capacity of 252.5 MW, expired on September 30, 2014. Similarly, the temporary accreditation for a part of the Fântânele park (Fântânele Vest) expired in 2013 and the situation remained unaltered in 2014. Documents for the individual notification were prepared by CEZ Group within statutory time limits and submitted to Romanian authorities as early as in January 2012. However, government measure OUG 57/2013 modified support for renewable energy sources during the process of approving the individual notification of Fântânele Vest and the European Commission requests that it should be notified before the Commission approves the individual notifications of Fântânele Vest.
As of April 7, 2015, the notification of government measure OUG 57/2013 was not yet approved by the European Commission. The second part of the Fântânele wind park, “Fântânele Est” with 34 wind turbines and 85 MW of installed capacity, is not subject to this condition and its accreditation for green certificates is valid for 15 years.

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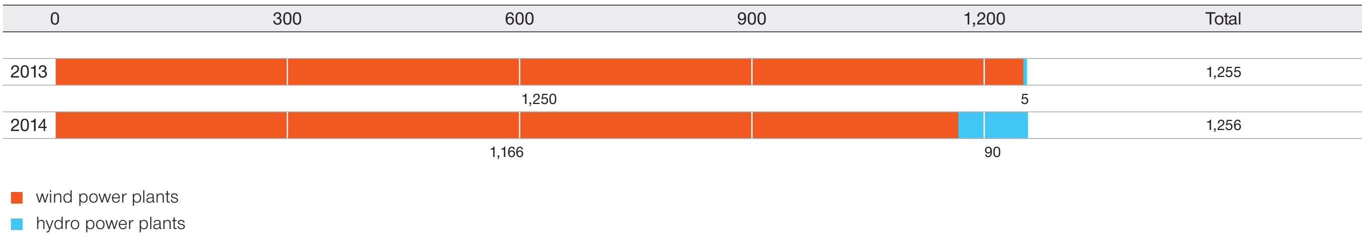
Temporary allocation of certificates until the Commission approves the existing aid scheme and the individual form of support for Fântânele Vest and Cogealac was included in an amendment to Act No. 220/2008 on support for renewable energy sources, which was approved by the government on October 7, 2014. A plenary session of the Senate held on February 5, 2015 passed an amendment to Act No. 220/2008 on support for generation of renewable energy, which was then referred to the Parliament's Economic Committee. The Committee approved the amendment without any comments on February 24, 2015 and released it for approval by a plenary session of the lower chamber of the Parliament. In its session held on March 11, 2015, the lower chamber postponed the debate on the law and returned it to the Parliaments's Economic Committee. The Economic Committee discussed and approved additional comments on March 31, 2015. Once the amendment is authorized by the Parliament's Environmental Committee, it will be submitted for approval by a plenary session of the lower chamber again.

Electricity Generation

Electricity Generated in Romania, Gross (GWh)

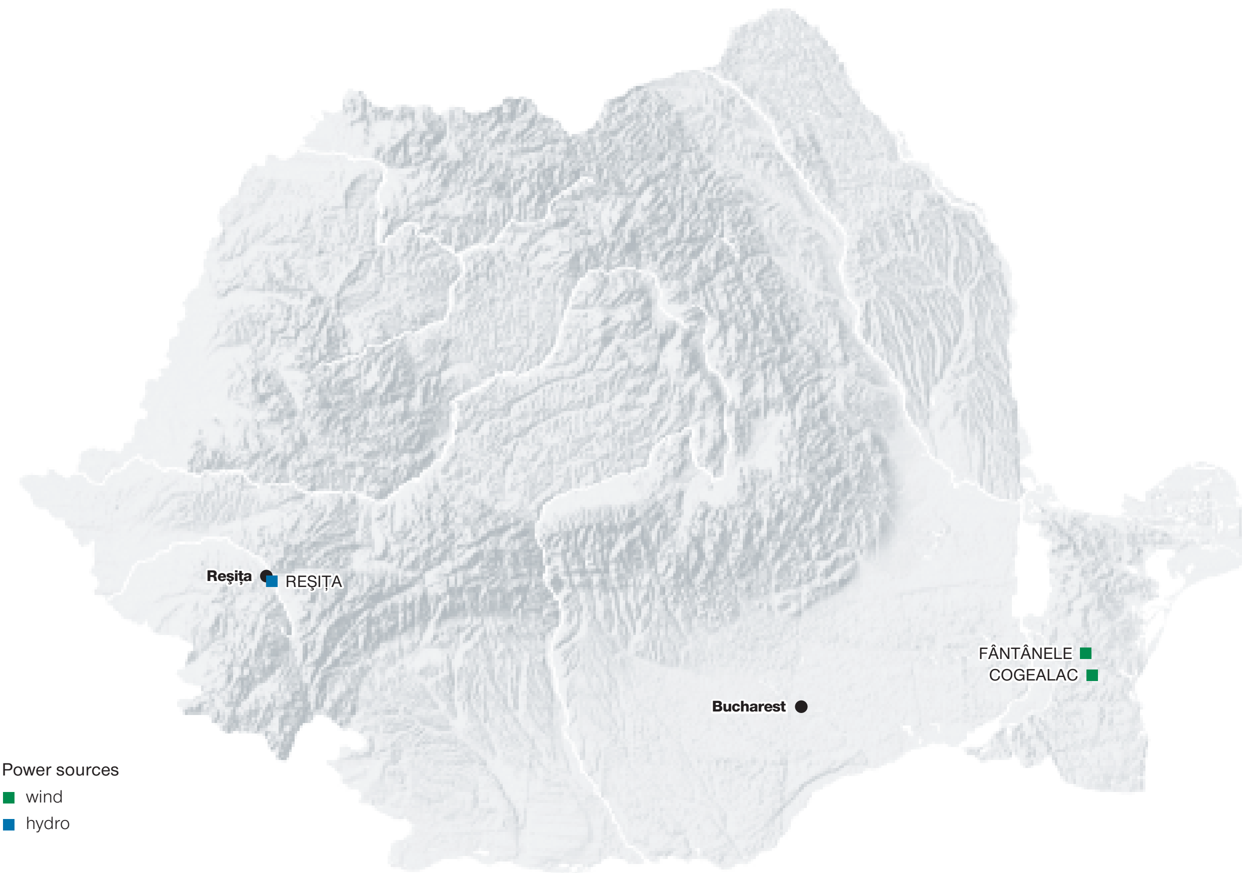


The total production in 2014 remained at the same level as in 2013. A year-on-year decrease of 84 GWh in production at the Fântânele and Cogealac wind parks was caused by worse weather conditions. Upgraded hydro plants owned by TMK Hydroenergy Power S.R.L. generated 90 GWh in the first year of their full operation, fully compensating lower production at the wind parks.

Capital Construction

Capital expenditures went into the infrastructure of the Fântânele & Cogealac wind parks as well as into TMK Hydroenergy Power S.R.L. in 2014. Overall capital expenditures on electricity generation were CZK 0.1bn in 2014.

Location of CEZ Group's Generation Facilities in Romania



Installed Capacity

CEZ Group companies in Romania had a total installed capacity of 622 MW as at December 31, 2014.

List of CEZ Group Power Plants in Romania

Hydro Power Plants—Reşiţa Site

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Breazova	TMK Hydroenergy Power S.R.L.	0.656	1977, renovated in 2013
Crainicel 1	TMK Hydroenergy Power S.R.L.	4.160	1950, renovated in 2013
Crainicel 2	TMK Hydroenergy Power S.R.L.	9.200	1997, renovated in 2013
Grebla	TMK Hydroenergy Power S.R.L.	7.968	1970, renovated in 2013
Small hydro power plants, total		21.984	

Wind Power Plants

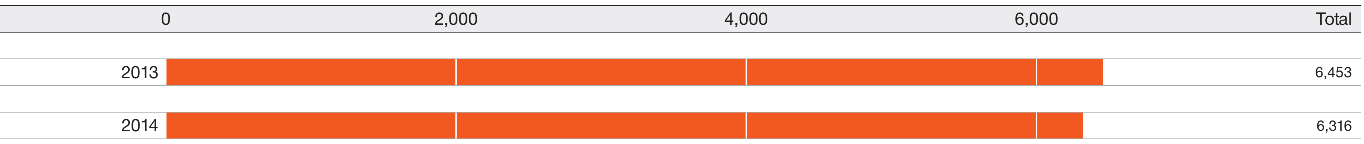
Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Cogealac	Ovidiu Development S.R.L.	252.5	2012
Fântânele	Tomis Team S.R.L., M.W. Team Invest S.R.L.	347.5	2010
Wind power plants, total		600.0	

Electricity Generation Outlook for 2015

We expect to generate 0.8 TWh of electricity in the Fântânele wind park and 0.5 TWh in the neighboring Cogealac park. The Reşiţa hydro plant system should generate 0.1 TWh of electricity.

Electricity Distribution

Electricity Distributed to End Customers in Romania (GWh)



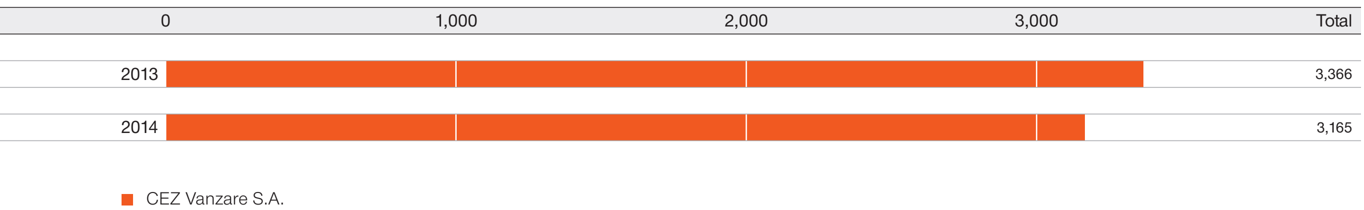
CEZ Distributie S.A. distributed 6,316 GWh of electricity in 2014, which was a year-on-year decrease of 137 GWh. The main reason was lower electricity consumption by a major customer, a state-owned industrial enterprise.

Capital Construction

Capital expenditures on distribution in Romania were primarily aimed at improving the parameters of the distribution grid at all voltage levels in 2014. Their total value in 2014 was CZK 1.2bn.

Electricity Sales

Electricity Sold to End Customers Outside CEZ Group in Romania (GWh)



CEZ Vanzare S.A. sold 3,165 GWh of electricity to end customers in 2014, which was a year-on-year decrease of 201 GWh. The main reason was the fact that some customers, most notably the state-owned railway company CFR, switched to another supplier, as well as lower consumption by large customers among industrial enterprises.

Electricity Distribution and Sales Outlook for 2015

We expect to sell 3.0 TWh of electricity to end customers. The volume of electricity distributed to end customers in 2015 is expected to be 6.1 TWh.

Republic of Turkey

Business Environment in the Electricity Sector

The exchange rate of the Turkish lira kept fluctuating; however, after a twenty-percent loss against the U.S. dollar in 2013, the Turkish lira went down by just nine percent in 2014. Its considerable strengthening in the first half of the year was caused by the Turkish central bank's sudden raising of interest rates as well as by a stabilizing political situation after the local government elections in March. Similarly to previous years, the weakening of the lira exchange rate in the second half of 2014 was driven by ongoing inflation and a high deficit of the current account of the balance of payments.
Business conditions in the electricity sector were affected the most by extremely dry weather throughout Turkey in 2014. Low volumes of precipitation in the spring adversely affected generation at hydro power plants, which account for a quarter of the capacity of all generation facilities in Turkey. The production of hydro power plant thus decreased by a third year-on-year.
The low production of the hydro power plants owned by ČEZ and AKKÖK resulted in a decrease of 55% in operating income.
Demand for electricity meanwhile grew by 3.7% year-on-year thanks to the growing Turkish economy. The shortfall of hydro power production was compensated by higher production at thermal and gas power plants; 5.5 GW of new, mostly thermal facilities were put into operation.
After unbundling electricity distribution and sales became mandatory in 2013, the Turkish regulator prepared further steps in 2014 that will be implemented by 2016. In connection with market liberalization, the minimum electricity consumption limit for choosing the supplier was reduced. This step gave the right to choose their supplier to a wide range of entities, including some households.

CEZ Group in Turkey

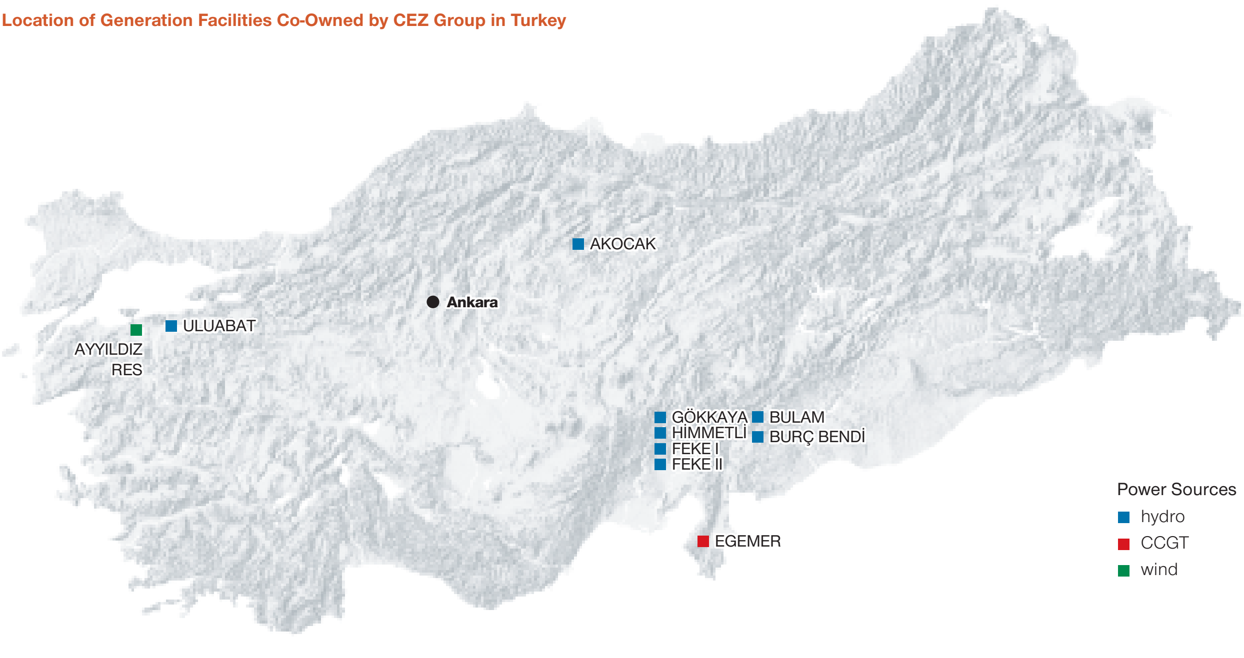
Electricity Generation

Electricity is generated by Akenerji Elektrik Üretim A.S., controlled by ČEZ and its Turkish partner AKKÖK, as well as the company's subsidiaries Egemer Elektrik Üretim A.S., Akkur Enerji Üretim ve Sanayi A.S., and Mem Enerji Elektrik Üretim A.S. Akenerji owns one wind, two hydro, and two CCGT power plants. The CCGT plants were gradually decommissioned during 2014 and the company plans to sell them. The subsidiaries operate another 6 hydro power plants and the newly completed Egemer CCGT plant.
The companies generated a total of 2,742 GWh of electricity in 2014. The higher volume of electricity generated in comparison with the year before (1,931 GWh) was allowed by the commissioning of the Egemer power plant in the second half of the year.

Capital Construction

CZK 2bn were invested in electricity generation, mostly in the construction of the Egemer CCGT plant in the province of Hatay on the southeastern coast of Turkey. It is an exceptionally efficient power plant, with efficiency exceeding 57% and at least a 30-year service life. The construction started in 2011 and the power plant was put into operation on August 25, 2014. The investor was already permitted to sell generated electricity to the grid during the testing phase. The installed capacity was also increased from the originally planned 872 MW to 904 MW during the tests.

Location of Generation Facilities Co-Owned by CEZ Group in Turkey



List of Power Plants Co-Owned by CEZ Group in the Republic of Turkey

Gas-Fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) as at December 31, 2014	Year commissioned
Egemer	Egemer Elektrik Üretim A.S.	Natural gas	2 x 292.09; 1 x 319.82	2014
Gas-fired power plants, total			904.0	

Wind Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Ayyıldız RES	Akenerji Elektrik Üretim A.S.	5 x 3	2009
Wind power plants, total		15	

Hydro Power Plants

Plant	Owner	Installed capacity (MW) as at December 31, 2014	Year commissioned
Akocak	Akenerji Elektrik Üretim A.S.	2 x 40.5	2010
Bulam	Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	2 x 3.515	2010
Burç Bendi	Akkur Enerji Üretim Ticaret ve Sanayi A.S.	3 x 9.11	2010
Feke I	Akkur Enerji Üretim Ticaret ve Sanayi A.S.	2 x 14.7	2012
Feke II	Akkur Enerji Üretim Ticaret ve Sanayi A.S.	2 x 34.79	2010
Gökkaya	Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	2 x 14.27	2012
Himmetli	Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	2 x 13.49	2012
Uluabat	Akenerji Elektrik Üretim A.S.	2 x 50	2010
Hydro power plants, total		369.9	

Note: Power plants in Turkey are owned by affiliated companies and are therefore not included in CEZ Group's installed capacity. There have been minor changes in capacities against the values published on December 31, 2013, as the capacities were previously based on data in preliminary licenses.

Electricity Generation Outlook for 2015

The total amount of generated electricity is expected to be 5.9 TWh. The year-on-year growth is based on the anticipated year-round operation of the Egemer Power Plant.

Electricity Distribution and Sales

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dagitim A.S. (SEDAŞ), controlled by ČEZ and its Turkish partner AKKÖK. The volume of electricity distributed to end customers in 2014 was 8,060 GWh, increasing by 108 GWh year-on-year thanks to growing demand by households as well as by customers among industrial enterprises.

The sales company Sakarya Elektrik Perakende Satis A.S. (SEPAŞ), which has been selling electricity to end customers mainly in the distribution area of SEDAŞ since the beginning of 2013, sold 7,693 GWh of electricity in 2014. This was a slight decrease from the previous year (7,826 GWh). The fluctuating volume of electricity sold is caused by eligible customers migrating back and forth between Sakarya Elektrik Perakende Satis A.S. and wholesale suppliers in response to market price developments.

Capital Construction

CZK 0.7bn was invested in distribution. The investments were directed toward increasing grid capacity and efficiency.

Electricity Distribution and Sales Outlook for 2015

In 2015 we expect to see electricity distribution volume of 8.5 TWh and electricity sales volume of 6.5 TWh. The anticipated year-on-year decrease in the volume of electricity sold reflects the price situation in the Turkish electricity market, as described above, in conjunction with market liberalization.

Hungary

Heat Generation

Process steam for the Danube Refinery was generated by MOL - CEZ European Power Hungary Kft. (belonging to a group of ČEZ and MOL joint ventures). From January to October 2014, the company generated 1,388 TJ of heat from gas and heating oil purchased from MOL Energiakereskedő Zrt.
MOL - CEZ European Power Hungary Kft. was sold at October 31, 2014. Along with the sale of the company, ČEZ also stopped its activities relating to a CCGT construction project at the site of the Danube Refinery.

Electricity Sales

Electricity was sold through CEZ Magyarország Kft., which supplied 1,156 GWh of electricity to large end-customers in 2014. This makes it continually one of the most important alternative suppliers of electricity to this segment.

Electricity Sales Outlook for 2015

The total volume delivered in 2015 is expected to be similar to that of 2014. 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 7.3% equity stake in the Hungarian petrochemical company MOL Nyrt.
The market capitalization of the shares traded on the Budapest stock exchange was approximately CZK 7.8bn as at December 30, 2014. After MOL's option to purchase the stake expired, CEZ MH B.V. issued convertible bonds on February 4, 2014 whose owners will be able to exchange them for MOL Nyrt. shares at EUR 61.25 as of January 25, 2017.

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Slovak Republic

Electricity and Heat Generation

Process steam and electricity are produced by CM European Power Slovakia, s. r. o. (belonging to a group of joint ventures of ČEZ and MOL). The customer is the Slovnaft refinery belonging to the MOL group. CM European Power Slovakia, s. r. o. generated 317 GWh of electricity and 4,247 TJ of heat in 2014.
CM European Power Slovakia, s. r. o. purchases heating oil and refinery gas from the Slovnaft refinery.

Capital Construction

A retrofit was finished and two new boilers and one turbo generator set were taken over at the existing company CM European Power Slovakia, s. r. o. A contractual penalty was claimed in connection with a delay in the delivery of the turbo generator set. A tendering procedure is also underway to select the provider of a solution for potential heating plant denitrification.

Sales of Electricity and Natural Gas

Electricity and gas are sold by CEZ Slovensko, s.r.o. The company supplied electricity and gas to the segments of large end customers and small end customers, i.e. households and small and medium-sized businesses in 2014. End customers in all segments were delivered 1,522 GWh of electricity and 1,373 GWh of natural gas in 2014.

Electricity and Natural Gas Sales Outlook for 2015

Expectations for 2015 include a volume of supplies in the large end customer segment similar to that of 2014 and possible growth of volume in the small end customer segment depending on developments in price regulation. We will continue to actively pursue growth in our market share.

New Nuclear Power Plant at Jaslovské Bohunice

The process of environmental impact assessment (EIA) was started. Supporting studies were drawn up and the EIA report began to be prepared and is planned to be finished in Q3 2015. On September 30, 2014 the Ministry of Economy of the Slovak Republic issued a "Certificate for the Construction of the Jaslovské Bohunice Power Plant New Nuclear Power Facility." 96% of land needed for the power plant construction has been purchased. Regulation, financing, and return risks remain to be present in the project, in particular.

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Other Countries

Republic of Albania

Until October 16, 2014, ČEZ, a. s. owned a stake in Operatori i Shpërndarjes së Energjisë Elektrike sh.a. (named CEZ Shpërndarje Sh.A. until July 23, 2014) but did not in fact have control over it; it also owned 100% stakes in Shared Services Albania Sh.A. and CEZ Trade Albania Sh.P.K. Both companies went into liquidation in connection with CEZ Group's current exit from the energy sector in Albania.
The Albanian side did not officially provide any electricity distribution or sales figures. Because of exclusion from the consolidated group in January 2013, zero values are reported 2013 and 2014.
Information on arbitration conducted and the settlement agreement made is provided under Litigation and Other Proceedings.

Bosnia and Herzegovina

CEZ Bosna i Hercegovina d.o.o. was in liquidation from 2013 and ceased to exist on February 5, 2015. Information on conducted arbitration is provided under Litigation and Other Proceedings.

Ireland

CEZ Group has no energy-related business activities in Ireland. The principal business of its local member companies is related to CEZ Group's financing. CEZ Finance Ireland Ltd. is in liquidation.

Republic of Cyprus

CEZ Group has no energy-related business activities in Cyprus. Operations in the country have been minimized; Taidana Limited went into liquidation in 2014 and the liquidation of the company, which is wholly owned by Tomis Team S.R.L., is expected to be completed in 2015.

Kingdom of the Netherlands

CEZ Group has no actual energy-related business activities in the Kingdom of Netherlands. The Dutch subsidiaries are holding and/or financing companies used to finance projects within CEZ Group.

Russian Federation

Operations in the country have been terminated and the liquidation of the sole Russian subsidiary, CEZ RUS OOO, was completed in 2014.

Federal Republic of Germany

CEZ Group's presence on the German energy market is limited to trading in electricity and other commodities.

Republic of Serbia

CEZ Group operates on the wholesale electricity market in Serbia. Acquisition activities have been wound down since 2010.

Ukraine

Operations in the country have been terminated and the liquidation of the sole Ukrainian subsidiary, CEZ Ukraine LLC, is expected to be completed in 2015.

Changes in CEZ Group Ownership Interests

2014

Czech Republic

- April 1 ČEZ Inženýring, s.r.o. established as a wholly owned subsidiary of ČEZ, a. s.,
- July 1 merger by acquisition of subsidiaries of Severočeské doly, a.s.—PRODECO, a.s. and SD - KOMES, a.s.; the acquiring company is PRODECO, a.s.; SD - KOMES, a.s. ceased to exist without going into liquidation,
- July 1 merger by acquisition of subsidiary PPC Úžín, a.s. and ČEZ, a. s.; the acquiring company is ČEZ, a. s.; PPC Úžín, a.s. ceased to exist without going into liquidation,
- July 30 Energotrans, a.s. made a purchase to increase its stake in Areál Třeboradice, a.s. from 85% to 95%,
- October 13 ČEZ Recyklace, s.r.o. established by ČEZ Obnovitelné zdroje, s.r.o., who owns a 99% stake,
- November 1 merger by acquisition of ČEZ Teplárenská, a.s. and its subsidiaries VRCHLABSKÁ TEPLÁRENSKÁ, s.r.o. and TEPLO KRKONOŠE a.s.; the acquiring company is ČEZ Teplárenská, a.s. Both subsidiaries ceased to exist without going into liquidation,
- November 25 ČEZ ESCO, a.s. established as a wholly owned subsidiary of ČEZ, a. s.,
- December 19 ČEZ Energetické služby, s.r.o. purchased a 75% stake in EVČ s.r.o.

Republic of Albania

- July 23 CEZ Shpërndarje Sh.A. changed its name to Operatori i Shpërndarjes së Energjisë Elektrike sh.a. (OShEE),
- October 16 the entire 76% stake in OShEE was assigned to the Republic of Albania.

Bosnia and Herzegovina

- December 30 ČEZ, a. s. lost control over NERS d.o.o. The decision on the registration of the stake assignment in the Commercial Register became legally effective on February 5, 2015.

Republic of Bulgaria

- September 5 the stake in Eco Etropol AD was sold.

Hungary

- October 31 the stake in MOL – CEZ European Power Hungary Kft. was sold.

Kingdom of the Netherlands

- September 18 liquidation of Aken B.V. in liquidation was finished and the company ceased to exist.

Republic of Poland

- June 25 Baltic Green V sp. z o.o. established as a wholly owned subsidiary of Eco-Wind Construction S.A.,
- July 15 Baltic Green VIII sp. z o.o. established as a wholly owned subsidiary of Eco-Wind Construction S.A.,
- July 16 Baltic Green VI sp. z o.o. established as a wholly owned subsidiary of Eco-Wind Construction S.A.,
- July 23 Baltic Green VII sp. z o.o. established as a wholly owned subsidiary of Eco-Wind Construction S.A.,
- November 20 Eco-Wind Construction S.A. assigned its stakes in Baltic Green I sp. z o.o., Baltic Green II sp. z o.o., Baltic Green III sp. z o.o., Baltic Green V sp. z o.o., and Baltic Green VI sp. z o.o. to Baltic Green VII sp. z o.o., which thus became the 100% owner of all the companies.

Russian Federation

- October 30 CEZ RUS OOO ceased to exist.

2015 Until the Annual Report Closing Date

Republic of Albania

- January 1 Shared Services Albania Sh.A. went into liquidation.

Bosnia and Herzegovina

- February 5 CEZ Bosna i Hercegovina d.o.o. ceased to exist.

Republic of Poland

- January 8 CEZ Finance Polska sp. z o.o. established as a wholly owned subsidiary of CEZ Polska sp. z o.o.,
- January 30 Elektrociepłownia Chorzów ELCHO sp. z o.o. changed its legal form to a joint-stock company (legal form designation: S.A.),
- February 10 a change was made to the ownership structure of the Polish power companies Elektrociepłownia Chorzów ELCHO S.A. and Elektrownia Skawina S.A. This was followed by a change in the ownership structure of CEZ Polska sp. z o.o. on February 27. All three companies remain wholly owned by companies within CEZ Group.

Republic of Turkey

- February 13 the stake of Akenerji Elektrik Üretim A. S. in Egemer Elektrik Üretim A.S. was increased to 100%.

Synopsis: Eva, a good-looking brunette, is a photographer who was fed up with her boyfriend Adam. She broke up with him and now she enjoys taking her pictures in a small modern apartment in Prague's Holešovice quarter. Max, an online operator of the Customer Care Center, is an introverted likeable man with a beard. He is a bit shy, and so he has never been very successful with girls. But it did not bother him too much. The brunette whom he almost bumped into in the subway brought him to his knees with the apologetic look in her dark green eyes. He fell in love with her at first sight. But he lost her in the crowd quickly. How can he find her among a million people in Prague? He now spends most of his time out and about, riding the subway. It is all in vain. This evening he chatted with Eva. But he could not know that it was her questions he answered. Will these lonely souls manage to find each other in this busy city? You will find out in a new, awesomely elaborate movie.

Facts: Every customer prefers a specific method of communication, be it with their energy supplier or mobile operator. It is CEZ Group's strength to be able to offer a truly wide range of customer services. CEZ Group is available to its customers through its online chat 7 days a week, always between 6 a.m. and 10 p.m.

Eva: ČEZ's live chat is excellent! I always quickly resolved what I needed.
I probably like this form of communication the most.
Moreover, thanks to the chat I also found my Max.

momentous

episode 579

meeting

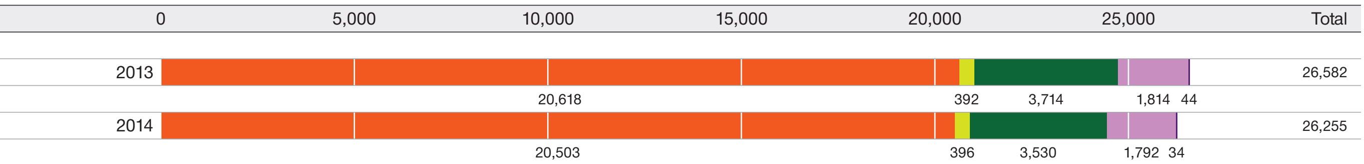
STARRING Eva and Max (ČEZ's live chat)
MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Human Resources

Number of Employees

As at December 31, 2014, companies within the consolidated CEZ Group employed 26,255 people, i.e. 327 (1.2%) people less than at the same date in 2013.

Workforce Head Count as at December 31, by Location



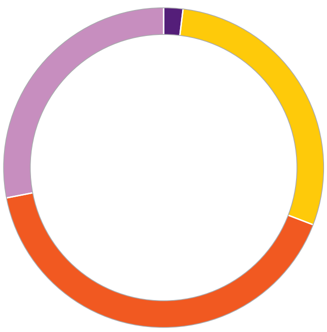
- Czech Republic
- Republic of Poland
- Republic of Bulgaria
- Romania
- other countries

Workforce by Age as at December 31, 2014

	%
25 years and under	3
26–30 years	7
31–40 years	23
41–50 years	33
51–60 years	28
61 years or more	5
Total	100

Workforce by Highest Level of Education Achieved, as at December 31, 2014

	%
primary	2
apprenticeship	29
secondary	41
university	28
Total	100



Strategic Recruitment

The long-term objective of strategic recruitment is to help to change the attitude of today's young people and their parents to the study of technical fields. CEZ Group therefore continued cooperating with partner schools in 2014 in an effort to improve the situation in electrical and mechanical engineering study programs. One of the most successful projects was "I Know Why", a contest aimed to popularize and support physics teaching at elementary schools and high schools, which attracted almost 200 videos. Support for Mathematics and Physics Olympiads continued in the form of general partnership.

College and university students continue to consider CEZ Group one of the most attractive employers in the Czech Republic. This is clearly evidenced by the third victory in a row in the main category of the Czech Students' Union's "Obvious Choice" survey. Other opinion polls bear out this result. The attractiveness of employment with CEZ Group is an important element for filling vacancies, which we are successful in despite the difficult situation on the job market in positions requiring technical education.

Strategic recruiting activities are based on direct collaboration with a network of partner schools. Especially high schools are highly interested in collaboration. At the end of 2014, we had 49 collaborating high schools and 13 faculties at 7 technically oriented colleges and universities.

In response to the termination of tendering for the construction of new units at the Temelín Nuclear Power Plant, the number of students included in the scholarship program was reduced. However, close cooperation with all the participants continues. The distribution personnel replacement program continued to be implemented successfully in 2014.

Training Program

The line of business and strategic objectives of CEZ Group place high demands on the expertise, experience, and skills of its employees. Its staff development activities therefore involve:

- Providing an exceptionally wide range of training to allow staff to meet qualification requirements as well as to gain necessary skills beyond required qualifications,
- Continually updating and developing a portfolio of in-class, e-learning, and combined training courses,
- Implementing a number of custom-tailored programs such as the "Observation and Coaching" program for the Dukovany Nuclear Power Plant,
- Ensuring that new talented graduates can develop year-round under the long-term ČEZ Potentials program,
- Promoting the sharing of important knowledge and experience (knowledge management), enhanced by the creation of a common database and a new knowledge portal in 2014; the knowledge management system was identified as a good practice by the Corporate OSART mission in 2014.

During 2014, all directors of business units within CEZ Group, including the top management of ČEZ, a. s. took part in a strategic development program focusing on developing their managerial skills—leadership and enhancement of entrepreneurship and performance. A number of targeted training activities aimed at advancing management competences were undertaken.

A corporate and safety culture survey was conducted across CEZ Group in order to determine the initial situation and then set up an action plan to enhance the safety culture and reinforce the desirable corporate culture.

In the area of CEZ Group's nuclear operations, continuous improvement of specialized training and specific employee skills is a prerequisite for the safe and reliable operation of nuclear power plants. The high level of employee training for nuclear activities was confirmed in 2014 by two international reviews (WANO Peer Review, SALTO) as well as a Periodic Safety Review at the Dukovany Nuclear Power Plant. The key activity in 2014 was providing specialized training for selected personnel from the nuclear power plants according to the requirements of the National Action Plan to enhance nuclear safety at nuclear facilities in the Czech Republic.

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 employee benefits such as personal accounts intended especially for recreation; 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 the Czech Republic apply to acquisitions abroad as well.

Relations with Labor Unions

There were a total of 32 local labor unions operating at ČEZ, a. s. in 2014, organizing 1,700 employees, or 30% of the company's total workforce.

CEZ Group's integrated subsidiaries in the Czech Republic had a total of 41 local labor unions, organizing 3,200 employees, or 47% of the employee headcount. Thirty-three of these local labor unions were members of four associations with regional scope of activity.

Local unions are members the ECHO Labor Union or the Czech Union of Power Industry Employees and one of the local unions is a member of the KOVO Trade Union.

Regular meetings were held between the employer and labor union representatives in 2014 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 2014 concerned amendments to all collective agreements in force, dealing primarily with collective agreement renewal, wages and salaries, benefits, and working time accounts. The collective bargaining culminated in October in the signing of Amendment No. 12 to the collective agreement at ČEZ, a. s. and the signing of amendments to collective agreements at integrated subsidiaries. The collective agreements were renewed until December 31, 2017.

A total of 16 labor unions operated within the Severočeské doly group until June 30, 2014; today it is 15 labor unions. Severočeské doly a.s. and its subsidiaries PRODECO, a.s. and Revitrans, a.s. made new collective agreements effective until December 31, 2017. SD - Kolejová doprava, a.s. signed amendment No. 2 to its collective agreement, also effective until December 31, 2017.

CEZ Group's production and distribution companies abroad usually have union memberships exceeding 70% of the workforce.

In Romania, collective agreements are made at CEZ Distributie, CEZ Romania, CEZ Vanzare, and TMK Hydroenergy Power. CEZ Vanzare's collective agreement was renewed until December 31, 2015. A new collective agreement was signed at TMK Hydroenergy Power, effective until December 31, 2016. CEZ Romania has a collective agreement effective until December 31, 2015. CEZ Distributie has a collective agreement effective for a period of two years starting on April 1, 2013.

In Poland, a total of 4 labor unions operated within CEZ Group in 2014. The collective agreement for employees of the ELCHO power plant is effective until the end of 2016. The collective agreement for employees of the Skawina power plant was made in 1995 for an indefinite period of time.

There were 3 labor unions operating at the power plant in Varna, Republic of Bulgaria. The collective agreement is effective until the end of 2015.

CEZ Razpredelenie Bulgaria AD had four labor unions, CEZ Bulgaria EAD also had four labor unions, and CEZ Elektro Bulgaria AD had two labor unions operating at the company. The collective agreements at these companies are valid until December 31, 2015.

During the CEZ Group European Works Council's second term, two meetings were held in Prague in 2014. They primarily discussed CEZ Group's strategy, organizational and asset structure, and economic and financial standing.

Selected Aspects of CEZ Group Operations

Social and Labor Issues

Measures to Ensure Gender Equality

CEZ Group does not allow any direct or indirect discrimination based on gender and creates working conditions suitable for both women and men. Remuneration and career advancement are determined by the professional skills and competences of each employee and the results of their work. As part of work organization and the creation of working conditions and the work environment, measures are taken that are suitable for both women and men and allow combining professional and private life and care for children. CEZ Group enables employees to take advantage of flexible working hours where the job allows it. CEZ Group also belongs to the first signatories of the European Diversity Charter, through which it undertakes, among other things, to actively develop gender equality measures.

Implementation of the International Labor Organization's Fundamental Conventions

Conventions of the International Labor Organization (ILO) ratified by the Czech Republic are incorporated in Czech law, which is fully respected by ČEZ as well as other CEZ Group companies.

This concerns especially the Hours of Work (Industry) Convention (No. 1). Working time shortened to 37.5 hours a week was negotiated during collective bargaining in all companies. The working time of ČEZ's shift employees was shortened to 36.5 hours a week and selected employees in nuclear power plants have their working week shortened to 36 hours.

The right to the minimum vacation set forth by the Holidays with Pay Convention (No. 132) was extended. All employees meeting the conditions for annual vacation are granted an extended vacation with a total duration of 5 weeks.

All CEZ Group companies also take adequate steps to comply with the Occupational Health Services Convention (No. 161). All companies have concluded agreements on the provision of occupational medical services. The providers of these services help create such conditions for work performance that contribute to protecting employees from the risk factors of their work environment as well as to stabilizing employees' health.

How CEZ Group companies implement other ILO conventions, such as the Right to Organize and Collective Bargaining Convention (No. 98), Freedom of Association and Protection of the Right to Organize Convention (No. 87), the Equal Remuneration Convention (No. 100), and the Discrimination (Employment and Occupation) Convention, (No. 111), is described below.

Working Conditions

The level of conditions for work is based on the Labor Code, work environment regulations, sanitation and health regulations, and is detailed by CEZ Group's guidelines. Working conditions are a set of conditions affecting employees' health.

Employees are provided with adequate premises to work at, with quality equipment, meeting all requirements for a healthy climate at the workplace, a suitable work environment, in compliance with ergonomic guidelines, and other prerequisites for work. Acceptable microclimatic conditions are maintained at workplaces; workplaces are designed and laid out with respect to an appropriate location of light sources. Attention is paid to the specification of work that women and minors are not allowed to perform.

Work safety is a fundamental part of working conditions. It is based on risk assessment that serves to define conditions for employees' work performance. A number of mandatory procedures and guidelines are prepared to that end, specifying occupational hygiene conditions, the provision of protective beverages, and the provision and use of personal protective equipment, washing, cleaning, and disinfecting agents.

Social Dialog

This is an important part of the Company's strategy, which contributes to employee integration and motivation on a long-term basis. Regular meetings of labor unions and representatives of the employer follow a stable schedule. Important topics include discussions on internal regulations, organizational changes, and presentation of the Company's strategic objectives. Specific labor issues concerning individual employees are discussed with local labor unions at the appropriate sites where the employees work.

Respecting Employees' Right to Information and Consultation

CEZ Group prefers active employee engagement. The management is motivated to create an environment of open communication in which opinions are exchanged and employees' views are welcome and respected. In addition to printed and electronic communication means, there are regular work meetings between employees and management, which help maintain ongoing dialog and allow the Company's management to adequately explain the corporate vision and strategy, and employees' role in fulfilling them.

Respecting Labor Unions' Rights

Employee representation by labor unions is based on applicable law and collective agreements.

Negotiations with labor unions concern primarily the specification of working, remuneration, and social conditions and mutual relations. Special emphasis is put on specifying occupational safety conditions. The above-mentioned matters are discussed every year during collective bargaining and specified in collective agreements.

Working Conditions—Employee Health Protection

The "Premium Healthcare Program at ČEZ, a. s." is implemented to prevent diseases of civilization and musculoskeletal system diseases. It consists of specialized, extended medical examinations focusing on the cardiovascular system, laboratory blood tests, cancer prevention, and eye examination. It applies to busy employees working under conditions of heavy mental stress—members of the control room operating personnel at nuclear and conventional power plants or heating plants.

Occupational Safety at CEZ Group

There are three levels of safety management defined at CEZ Group, which are compatible with the levels in line management—group, segment, and executive. The most closely observed indicator of the level of safety is the number of work accidents. In 2014, CEZ Group employees were involved in a total of 31 work accidents where incapacity for work exceeded 3 calendar days. The number of accidents in 2014 was significantly lower than in 2013. It was the lowest number of accidents in the past 5 years. None of the accidents was attributable to the employer.

The strict occupational safety programs that ČEZ, a. s. undertook to comply with include the Safe Enterprise, a national program launched by the Ministry of Labor and Social Affairs in 1998. Safe Enterprise certificates for both nuclear power plants were handed over to a representative of ČEZ, a. s. in Prague in 2014. This was the sixth and fourth time that the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant, respectively, defended their certification.

A project named Improving the Level of Occupational Safety and Health was launched in 2013 and completed in 2014 as part of occupational safety advancement at the Dukovany and Temelín nuclear power plants; it focused on promoting and strengthening the proper conduct of both ČEZ, a. s. employees and contractor personnel working at the power plants.

The project was divided into four primary areas:

- Safety requirements and expectations,
- Safety marking,
- Personal protective equipment,
- Personnel training.

Plant Security

Physical protection services are provided to entities within CEZ Group. Physical protection was maintained in compliance with applicable internal regulations and established standards in 2014.

In addition to performing these activities, the services and activities of technical protection systems (TPSs) and fire detection systems (FDSs) were transferred from ČEZ ICT Services, a. s. to ČEZ, a. s. in 2014 with effect from January 1, 2015.

The purpose of this process is, in particular:

- Simplifying the management of TPS and FDS services and activities provided within CEZ Group,
- Accelerating the provision of TPS and FDS services and activities within CEZ Group,
- Streamlining employee management—direct management,
- Synergic control of processes in the provision of TPS and FDS services and activities within CEZ Group,
- Improving the efficiency of control mechanisms.

Respecting Human Rights

Preventing Forced Labor and Child Labor
CEZ Group does not permit forced labor or child labor, including at its suppliers. It operates so that even indirect benefit from or promotion of such unlawful practices is prevented.

Ensuring Adequate Privacy for Employees Using IT Equipment (Privacy of Personal Communication)
Clear rules are configured during the administration of IT systems for communication between employees within CEZ Group and/or outside CEZ Group to ensure privacy for every employee receiving and sending messages. When IT equipment is used for work-related purposes, information is protected and employee data is not accessible to third parties. The Company secures employee access to information to prevent any breach of employee rights, violation of privacy of communication, or breach of job duties on this account.

Ensuring Non-Discrimination of Some Groups of Employees (Based on Age, Gender, Sexual Orientation, etc.)
Unlawful discriminatory behavior is not tolerated. CEZ Group places great emphasis on providing equal opportunities and promoting diversity. As part of this policy, it recognizes, accepts, and values distinctions between people based on their age, gender, physical abilities, medical fitness, sexual orientation, education, social status, ethnicity, religion, political allegiance, membership in a labor union, or other differences and disapproves of any discrimination. By promoting diversity and different views, CEZ Group seeks to enhance mutual cooperation, innovativeness, competitiveness, and long-term prospects.

Adequately High Employee Wages to Ensure Health and Well-Being
The main principles of remuneration are specified in the Personnel Policy. In line with that document, we follow the principle of internal fairness and external competitiveness in remuneration. The Company regularly participates in an external remuneration survey once a year.
The Company's wages policy is reviewed based on that survey in order to keep the level of employee remuneration above the external market's median while taking account of the specifics of the field.
The wages policy provides an employee remuneration level that makes the Company externally competitive and attractive in the labor market while ensuring efficient management of personnel costs.

Creating Jobs for Young People or People Aged 50+
CEZ Group has implemented measures leading to providing jobs for graduates from all types of schools, including their adaptation process for gaining practice. All work performance conditions are continually evaluated and measures are taken to ensure that job positions meet all requirements for employee safety and health and are suitable even for employees over 50. If employees are transferred to different positions, the employer arranges necessary requalification to allow them to gain the knowledge and skills needed in their new positions.

Treating Employees with Dignity (Preventing Humiliation, Bossing, Mobbing, Sexual Harassment)
Employees' work behavior is directed by general acceptance of CEZ Group values and principles. CEZ Group's established principles and related values lead to eliminating any negative behavior in the treatment of employees. Management is motivated to create a positive environment in which employees' opinions are respected and valued, feedback is required and supported. To ensure that employees are treated with dignity, they are actively engaged in social dialog and open communication within CEZ Group.
Overall employee performance appraisal includes assessment of behavior in line with CEZ Group's principles. Desirable behaviors are defined and subsequently appraised within each employee segment. Treating employees with dignity is enforced in everyday communication between employees and reviewed and verified by periodic appraisals of all employees.

Right to Equal Remuneration for Equal Work
The right to equal remuneration for equal work is guaranteed by applying the principle of internal fairness embedded in the Company's Personnel Policy. All job positions in the Company are assessed using internationally recognized methods for the assessment of job responsibility, complexity, and labor intensity. Based on the assessment, job positions are classified into groups that serve as a basis for determining employees' base pay. Strict application of this procedure excludes the possibility of discrimination in remuneration.

Guaranteeing the Possibility of Membership in a Labor Union and Collective Bargaining

CEZ Group supports dialog with labor unions. Regular meetings are held with union representatives, including collective bargaining.

Non-Discrimination in Hiring

Applicants' expertise, quality, performance, and motivation are the most important aspects for hiring. The employee selection and hiring process respects all applicable legal provisions on the protection of personal data and the prohibition of any discrimination. The Company gives every employee an equal opportunity for promotion without discrimination.

Excluding Illegal Work at Suppliers

Contracts on the maintenance of logical units at nuclear power plants include an article in which the supplier undertakes to ensure that the work is only performed by legal employees.

Business Ethics Principles

Correct business and interpersonal relations are the basis without which trust cannot be built inside or outside CEZ Group. In 2014 it continued with the started process of corporate culture development, particularly in the area of ethical business conduct. In addition, fulfillment of the Compliance program was newly defined in the area of prevention of conflicts of interest, money laundering, anti-corruption measures, compliance with competition rules, and others, as required, among other things, by the Corporate Criminal Liability Act.

In view of the increased importance of ethics as one of CEZ Group's priorities, its Ethical Behavior Policy entered into effect at the beginning of 2015 as a strategic document forming the basis of its Code of Conduct, a set of rules focusing on:

- External relations and the market—issues concerning behavior towards the surroundings, e.g. inadmissible payments and gifts, relations with suppliers and customers, prevention of money laundering, cooperation with public authorities, relation to the mass media and presence on social networks, competition rules,
- Employee relations—building CEZ Group's relationship with employees on the basis of mutual respect, dignity, and loyalty; a fair and equal approach to all employees is a fundamental value, compliance with all laws relating to labor relations is a necessity,
- Work safety and the environment—caring for the lives and health of (not only) employees takes priority over all other interests,
- CEZ Group security—issues related to the protection of people, property, and information, as well as protection of privacy, data, and intellectual property, safeguarding of internal information against misuse and conflict of interest.

In the area of anti-corruption measures, introducing and reflecting an obligation to behave ethically in contractual documents as an inherent part of contractual liability provided a basis for future implementation of a set of anti-corruption rules.
A crucial follow-up to the released Ethical Behavior Policy is the introduction of the Ethics (Whistleblower) Hotline, which will allow both our employees and our partners to report dishonest or unethical behavior.
This is one of the ways in which ČEZ, a. s. wants to help, alongside other leading companies, build an ethical environment in the Czech Republic.

Developments in the Legislative Framework for the Energy Industry in the Czech Republic

Development of Legal Regulation

Entering into effect on January 1, 2014, Act No. 89/2012 Sb., Civil Code replaced the previous civil code (Act No. 40/1964 Sb., Civil Code) after almost fifty years. It thus became the new principal body of law regulating private legal relations in the Czech Republic. Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act) entered into effect on the same date, replacing Act No. 513/1991 Sb., Commercial Code. January 1, 2014 was also the date of effect of Act No. 91/2012 Sb., on private international law. Amending many other related regulations, this recodification of private law in the Czech Republic represents a change to the fundamental bodies of private law regulating the economic and commercial aspects of CEZ Group's business activities. As a follow-up to this extensive change, CEZ Group took a number of steps during 2014 to properly implement the requisite measures in compliance with the applicable provisions of the above-mentioned acts. As an issuer of securities admitted to trading on a public market, ČEZ, a. s. is also governed by Act No. 256/2004 Sb., on capital market undertakings. It must also comply with the conditions of Act No. 137/2006 Sb., on public contracts when selecting contractors.

Alongside this general legal framework, there is energy legislation that is also crucial for CEZ Group and whose basis is formed by the following:

- Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in the energy sectors 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 supported energy sources and on amendments to some acts.

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

- Act No. 201/2012 Sb., on air protection,
- Act No. 695/2004 Sb., on conditions for trading in greenhouse gas emission allowances and on amendments to some acts,
- 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 amendment to some acts (Integrated Prevention Act).

During 2014, the following amendments to the above-mentioned laws were adopted:

- Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in the energy sectors and on amendments to some acts (Energy Act) and Act No. 165/2012 Sb., on supported energy sources and on amendments to some acts were amended by Act No. 90/2014 Sb.—detailing the system of financial flows related to charging and paying costs associated with support for electricity generated from renewable energy sources, electricity from combined heat and power generation, and electricity from secondary sources within the regulated price of electricity (in effect from May 21, 2014 / July 1, 2014),
- Act No. 201/2012 Sb., on air protection was amended by Act No. 87/2014 Sb.—in addition to making technical changes, it introduced the option of exchanging emission ceilings between operators of stationary plants (in effect from June 1, 2014),
- Act No. 383/2012 Sb., on conditions for trading in greenhouse gas emission allowances was amended by Act No. 257/2014 Sb., which newly distributed revenues from allowance auctions, introduced a new penalty for unlawful acquisition of allowances, and modified the accreditation procedure for verifiers of greenhouse gas emissions (in effect from January 1, 2015).

Secondary legislation implementing the above acts or amending other implementing regulations was also promulgated in 2014:

- For Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in the energy sectors and on amendments to some acts (Energy Act):
  - New Decree No. 195/2014 Sb., on the method of price regulation and procedures for price regulation in the gas sector (in effect from September 12, 2014),
  - Decree No. 291/2014 Sb., amending Decree No. 365/2009 Sb., on Gas Market Rules (in effect from January 1, 2015).
- For Act No. 406/2000 Sb., on energy management:
  - Decree No. 237/2014 Sb., amending Decree No. 194/2007 Sb., specifying rules for heating and hot water supplies, indicators for measuring heat consumption in home and water heating, and requirements for fitting internal heating equipment in buildings with instruments regulating heat supplies to end consumers (in effect from November 7, 2014).
- For Act No. 165/2012 Sb., on supported energy sources and on amendments to some acts:
  - New Decree No. 193/2014 Sb., on methods and dates for charging and paying prices to cover costs associated with support for electricity and on the implementation of some other provisions of the act on supported energy sources (in effect from October 1, 2014),
  - Government Order No. 231/2014 Sb., specifying public funds for subsidies to cover a portion of the price of electricity for customers and to cover operating support for heat in 2015 (in effect from October 31, 2014).
- For Act No. 201/2012 Sb., on air protection:
  - Decree No. 155/2014 Sb., amending Decree No. 415/2012 Sb., on the permissible level of pollution and its determination and on the implementation of some other provisions of the air protection act (in effect from August 1, 2014 / October 1, 2014).

The Czech Republic's membership in the European Union also makes it necessary to monitor the EU legal framework and changes thereto. Member States are required to implement (in the case of directives) or directly comply with (in the case of regulations and decisions) EU legislation when amending their national laws.

At this level, 2014 was another year in which amendments and new legislation were adopted that are significant for CEZ Group's business activities:

- Council Directive 2014/87/EURATOM of July 8, 2014 amending Directive 2009/71/EURATOM establishing a Community framework for the nuclear safety of nuclear installations,
- Directive 2014/94/EU of the European Parliament and of the Council of October 22, 2014 on the deployment of alternative fuels infrastructure,
- Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups,
- Directive 2014/25/EU of the European Parliament and of the Council of February 26, 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC,
- Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU,
- Regulation (EU) No. 600/2014 of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012,
- Commission Regulation (EU) No. 651/2014 of June 17, 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty,
- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC,
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012,
- Directive 2014/57/EU of the European Parliament and of the Council of April 16, 2014 on criminal sanctions for market abuse (market abuse directive),
- Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC,
- Directive 2014/104/EU of the European Parliament and of the Council of November 26, 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union,
- Commission Implementing Regulation (EU) No. 1113/2014 of October 16, 2014 establishing the form and technical details of the notification referred to in Articles 3 and 5 of Regulation (EU) No. 256/2014 of the European Parliament and of the Council and repealing Commission Regulations (EC) No. 2386/96 and (EU, EURATOM) No. 833/2010,
- Commission Implementing Regulation (EU) No. 1348/2014 of December 17, 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

Wholesale Market Regulation

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 in an effective and timely manner certain inside information concerning their business. Such disclosure includes information relevant to the capacity and use of facilities for production, consumption, or transmission of electricity. ČEZ, a. s. has been publishing information on generation facilities in the Czech Republic and their outages at www.cez.cz/cs/vyroba-elektriny/remit.html [1] since the effective date of the regulation. Since August 16, 2012, the information has also been published using the EEX Transparency platform (www.eex-transparency.com/homepage/power/czech-republic [2]). The public disclosure concerns ČEZ, a. s., Elektrárna Počerady, a.s., Elektrárna Dětmarovice, a.s., and Energotrans, a.s. Information on CEZ Group power plants abroad is provided on the relevant national websites at www.cez.bg/bg/za-nas/kompaniite-v-balgariya/tets-varna/remit.html [3]; www.cezpolska.pl/pl/cez-w-polsce/ec-elcho-s-a/remit.html [4]; www.cezpolska.pl/pl/cez-w-polsce/elektrownia-skawina-s-a/remit.html [5]. The regulation also prohibits abusive practices affecting wholesale energy markets. Market participants' compliance with the disclosure requirements is overseen by the Energy Regulatory Office.

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. It introduces the following in successive steps:

- Mandatory calculation of the open nominal position of OTC derivatives,
- Introduction of risk-mitigation practices in clearing OTC derivatives,
- Mandatory clearing of selected OTC derivative contracts through central counterparties, as well as,
- Mandatory reporting of information on derivative contracts to a trade repository.

ČEZ, a. s. began to prepare for compliance with the above obligations by the dates required by the legislation in 2013. Since April 2013, ČEZ has calculated the open nominal position of OTC derivatives daily; since February 12, 2014, it has reported its exchange and OTC commodity, interest rate, and currency derivative transactions to a trade repository (REGIS-TR).

Commission Implementing Regulation (EU) No. 1348/2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency was adopted on December 17, 2014 and entered into force on January 7, 2015. Its Annex contains details of contracts that should be reported. The Energy Regulatory Office launched the National Register of Market Participants and all market participants that engage in transactions reportable to the Agency for the Cooperation of Energy Regulators (ACER) must register in it.

Notice: This chapter contains selected information relating to legislation and was drawn up with due diligence. However, it cannot be regarded as conveying or constituting qualified legal advice. ČEZ, a. s. may not be held liable for any legal transaction taken or refrained from on the basis of the provided overview.

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Synopsis: For Jitka, a baker, every day is an exhausting whirlwind of the most tiring duties. Her husband has passed away recently, and her children have already long lived independent lives. She does not complain about anything; she herself decided to bake homemade cakes and tarts and to make a living in that way. She still expects her bright future to come true, but her small business is burdened by ever growing costs. But then a turning point comes that turns her life upside down. Vojtěch, a somewhat cheeky yet very practical maintenance engineer, enters her lonely life and kingdom of tarts.

Facts: You can download several brochures with advice and tips on how to reduce your energy consumption from CEZ Group's website. The most frequently downloaded brochures are "Daily Helpers" and "Saving in the House." They were downloaded a total of 10,356 times in 2014.

Jitka: What was the greatest turning point? The fact that Vojtěch came along! He really knows what's what when it comes to practical matters. I had no idea that you could find the Energy Advisor on the website with so much useful and practical information. After establishing my situation, it meant investing in electrical system repairs and buying some new appliances but I believe that this investment will pay off in the long run.

episode 642

baker

STARRING Jitka, Vojtěch, and ČEZ's website
MEDIA PARTNER Chief Executive Officer's Division
STORY BY Sales and Strategy Division **CASTING** Administration Division
SCRIPT Public Relations and Regulatory Affairs Division **PRODUCED BY** Finance Division
PRODUCTION Production Division **FOREIGN LOCATIONS** International Division
DIRECTED BY Board of Directors **ASSISTANT DIRECTOR** CEZ Group employees

Protection of the Environment

Air Protection

Czech Republic

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, most combustion facilities operated by CEZ Group have emission reduction equipment installed. Most of CEZ Group's power plants use a highly efficient flue gas desulfurization method based on the principle of limestone wet scrubbing; smaller facilities use a semi-dry method in which pollutants from flue gases are absorbed on lime suspension particles and the particles of the created 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.

Technologies for reduction in nitrogen oxides started to be implemented in 2014, using both primary measures—combustion process control—and secondary measures using catalytic or non-catalytic methods.

Dust particles are captured by electrostatic precipitators or bag filters; the efficiency of separation of these pollutants is around 99%.

Besides using the above-mentioned precipitators, pollutant emissions from some combustion units (especially fluidized bed boilers) are reduced by replacing fossil fuels with biomass combustion or co-firing. This method significantly reduces the emissions of sulfur dioxide, in particular.

In 2014, 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. In connection with a technical fault, the CO limit was exceeded during the operation of the Jindřichův Hradec Energy Center, which supplies electricity and heat generated from biomass.

ČEZ, a. s. meets its obligations from a joint statement with the Ministry of the Environment of the Czech Republic, in which ČEZ undertook to reduce emissions at the power plants it operates annually beyond what is required by the current legislation.

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 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 2014 it operated 11 air pollution monitoring stations located near coal-fired power plants and heating plants and measuring gaseous pollutants (SO_2, NO_X), with 5 of the monitoring stations also measuring suspended dust particles (PM_{10}, $PM_{2.5}$). The public is kept informed about the results of the emission and pollution monitoring conducted in connection with the operation of combustion plants on a website, which contains the results of emission and pollution measurements.

Dust particle emissions in the operations of brown coal mines are kept to a minimum by covering the belt conveyors and transfer points of driving stations, minimizing the mine's active areas, which are a potential source of dust, cleaning up and reclaiming land affected by mining in line with the overall clean-up and reclamation plan, and sprinkling roads during dry summer months.

Monitoring stations are located in the municipalities affected by mine operations, providing continuous measurement of dust pollution, in particular suspended PM_{10} particles, with remote data transmission, 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 messages at regular monthly intervals.
Combustion facilities have the necessary permits to release greenhouse gases affecting the climatic system and approved monitoring plans and are included in the system of trading in greenhouse gas emission allowances.

Republic of Poland
Both of CEZ Group's combustion facilities complied with emission limits in 2014.

Republic of Bulgaria
The Varna power plant complied with emission limits in 2014.

Greenhouse Gas Emission Allowances

The Czech Republic, 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. Allowances for electricity and heat generation in the Czech Republic in 2014 are allocated to operators' accounts in 2015. Applications for partially free allocation of allowances for electricity generation submitted by Bulgaria and Poland, where CEZ Group also operates, were also approved by the European Commission and allowances for 2014 should be allocated with a shorter delay than those for 2013.

Under the derogation, CEZ Group can get 70.2m tons of emission allowances (not including emission allowances for Elektrárna Chvaletice a.s., which is no longer part of CEZ Group) in the Czech Republic in 2013–2020 in exchange for investments in reducing greenhouse gas emissions. The investments must at least equal the value of the emission allowances allocated for free under the derogations. The value of the emission allowances is determined on the basis of their market prices in the previous year.

In 2014, CEZ Group submitted to the Ministry of the Environment of the Czech Republic its Report on Investments for the period from October 1, 2013 to September 30, 2014, in which independent financial and energy auditors confirmed that the Group had invested over CZK 3.2bn in clean, environmentally friendly technologies.

Overview by CEZ Group Company

Emission Allowances Allocated and CO_2 Produced in 2014 (tons)

	Emission allowances allocated	CO_2 produced
ČEZ, a. s.	10,856,936	16,467,267
ČEZ Teplárenská, a.s.	10,503	16,587
Elektrárna Dětmarovice, a.s.	1,491,777	1,949,108
Elektrárna Počerady, a.s.	2,813,305	4,741,866
Energetické centrum s.r.o.	5,966	511
Energotrans, a.s.	1,263,986	1,561,383
Czech Republic, total	16,442,473	24,736,722
Republic of Poland, total	290,183 *	2,436,736
Republic of Bulgaria, total	N/A	967,645
Total	**16,732,656**	**28,141,103**

* Only allowances for heat generation were allocated before the closing date of this Annual Report.

Water Protection

Surface water is used by CEZ Group's thermal and nuclear power plants and heating plants mostly for aftercooling and thus increasing the efficiency of electricity generation. Withdrawn water is recycled within the plants to minimize the amount of waste water discharged to receiving water courses. The generating plants have separate sewage systems and produced waste water is treated; the quality of discharged waste water is checked regularly.

CEZ Group utilizes the natural energy of surface water at hydroelectric and pumped-storage plants. Running surface water through turbines does not pollute it.

Groundwater is used to a minimum extent at CEZ Group, just for the production of drinking water.

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 2014, all of CEZ Group's generation facilities met the technical conditions for their operation related to water protection as laid down in their operating licenses issued by competent administrative bodies: they complied with the minimum residual flow rates set down by water authorities to protect water biotopes, especially on minor water streams, as well as with conditions for discharging waste and mine waters.

Protection of water against the potential negative effects of plant operations is ensured pursuant to the Water Act. Where substances hazardous to water are handled or where noxious substances are handled on a bigger scale or where handling such substances is associated with higher risk, measures are taken to prevent such substances from getting into groundwater, surface water, or sewage systems.

In connection with a technical defect, there was a leak of limestone suspension into the stream of the Prunéřovský potok at the Prunéřov II Power Plant. A timely intervention prevented a major leak and the accident did not have any adverse impact on the water biotope—there was no loss of fish or aquatic animals. Public authorities did not have to order any corrective measures.

The operations of Severočeské doly included the construction of the Jižní Svahy 3 pumping station and a connected drainage system in the area of the Bílina Mine, under the municipality of Braňany, at the end of the year. The construction project will contribute to better quality of water discharged from the Bílina Mine in the future because the water is pumped away to be treated by the Emerán mine water treatment plant, from which treated mine water is discharged to the Bílina River.

A mine water treatment plant optimization project was undertaken for the area of the Tušimice Mine to increase the capacity of the treatment plant, reducing the load for the watercourse of the Hutná, especially during floods. Another project involved upgrading a treatment plant for coal-fouled washing water to allow recirculating the treated water and reusing it as service water in order to reduce demand for fresh surface water.

In connection with preparations for an environmental upgrade to the Dětmarovice Power Plant using ammonia as a catalyst to remove nitrogen oxides from flue gases, a safe management system (Safety Program) was introduced pursuant to applicable legislation on the prevention of serious accidents. The system aims to reduce the probability and potential health and environmental consequences of serious accidents.

Soil Protection

Czech Republic

In 2014, "Basic Reports" within the meaning of applicable legislation were prepared for all coal-fired facilities, describing the condition and/or potential contamination of groundwater, soils, and the rock environment. The Basic Reports specify pollution indicators for further evaluation during plant operation and decommissioning. The research and surveys conducted did not find pollutant values that would pose new alarming findings at any of the examined sites. The research did not find any pollution concentrations in groundwater or soil that would indicate site contamination in connection with the current operations or such concentrations of legacy pollution that would indicate a need to initiate remedial measures.

In 2014, land reclamation continued in the vicinity of CEZ Group's conventional power plants (dumps, sludge lagoons, etc.). More than 7.2m tons of coal combustion by-products certified for these purposes were used for land reclamation in 2014. Coal combustion by-products (CCBs) suitable for land reclamation include, in particular, fly ashes and their mixtures with boiler slag and flue gas desulfurization (FGD) products. FGD gypsum from wet-limestone scrubbing is also used as a raw material for drywall manufacturing; this use accounted for 319,071 tons in 2014, saving a lot of natural materials. A total of 270,880 tons of CCBs were used in construction and land reclamation outside CEZ Group.

Fauna Protection and Support

Czech Republic

In light of the statutory obligation of ČEZ Distribuce to secure all high-voltage power lines against bird injuries by 2024, steps to map the overall safety of such lines are being prepared at the moment. No increase in bird injuries caused by electrocution or collision with overhead lines was registered during 2014. The ČEZ Foundation made contributions to facilities caring for injured birds.

As in previous years, flying birds' collisions with high-voltage overhead power lines at a section crossing the Elbe River were monitored throughout 2014. The monitoring has been performed since 2011 and no bird has been observed colliding with the lines and getting mechanically injured.

CEZ Group places permanent emphasis on environmental care and protection in the vicinity of its sites. This is evidenced, for instance, by a wide range of biological research in various fields carried out in the wider neighborhood of the Dukovany Nuclear Power Plant in 2014, which built on research completed in the previous year (e.g. in floristics or entomology). Each research project described the examined area in detail and created a list of identified species, including maps of the locations and emphasizing the presence of protected and endangered species. These projects (specifically concerning e.g. mammals, birds, fish, reptiles, or amphibians) document a good condition of the environment and also serve to assess the power plant's potential environmental impacts. Special attention was paid to the Mohelno Serpentinite Steppe and its specific conditions, as well as support for the National Natural Monument (NNM) in Miroslav and the Moravský Krumlov Conglomerates NNM. Besides local streams, detailed research focused also on the Jihlava River in a section downstream of the dam of the Mohelno Reservoir. In this respect, we must mention cooperation with the Vysočina Region on the application of the "Quality Model", which identified water pollution sources in the basin of the Jihlava River upstream of the Dalešice Reservoir and allowed proposing possible countermeasures.

Support for the nesting of the peregrine falcon at the sites of some coal-fired power plant continued in 2014. The annual cleaning of nest boxes, carried out alongside monitoring, provided ornithologists with valuable material for research into these rare birds' life functions. Nesting conditions are created not only for falcons but also for sand martins, which are found at the disposal sites of some coal-fired power plants. Areas where sand martins were found to be nesting continued to be maintained during ongoing mining and reclaiming activities in 2014.

Severočeské doly embarked on an exceptional environmental project when it had to destroy a gravel-sand water reservoir ahead of the face of the Nástup Tušimice Mines for necessary operating reasons. The demolition was carried out under expert supervision and with the approval of the competent authorities. Several replacement amphibian breeding ponds were also built as compensation. An amphibian rescue and relocation operation was carried out at one of the water reservoirs and water-filled ditch remnants ahead of the face of the Bílina Mines. Detailed research on the water and marsh flora was conducted at the same location, focusing on the occurrence of Ceratophyllum submersum (soft hornwort).

Republic of Bulgaria

Power lines at Dolno Ozirovo were fitted with elements protecting birds against injury. In addition, 79 metal platforms for safe location of stork nests were installed in 2014.

Romania

In collaboration with Societatea Ornitologică Română, 4 artificial nests for the endangered saker falcon were installed at 110 kV line poles. Only 10–12 pairs of these birds are known to be found in Romania. In addition, the collaboration included fitting power lines with elements to protect birds against injury in the Olt county. Ecosystem monitoring, focusing on birds, their migration, feeding, reproduction, and behavior, was carried out in the areas of the wind parks. No changes in the lives of birds or other fauna were detected at the location in 2014.

Noise Protection

Czech Republic

Noise sources include power plants and heating plants as well as open-pit mines, especially the operation of turbo generator sets, cooling systems, long-distance belt conveyors, and large-scale mining machinery.
Severočeské doly performs regular monthly monitoring in all affected municipalities in the vicinity of its two mines; its results are submitted to the municipalities and governmental agencies in the form of data messages. The measurement is performed by an independent accredited laboratory.
To reduce the negative effects of mining operations on surrounding buildings and population, protective measures are taken both at the sources of noise and by constructing noise reducing embankments. The actual strategy of reclamation plans is based on the goal to screen affected towns and villages from active mining and dumping areas using protective measures.
In spite of a number of noise abatement measures taken, noise limits could not be permanently met at some places in the vicinity of generation facilities. Based on a review by the Regional Sanitation Authority, stating that the 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 heating plants at Dvůr Králové, Vítkovice, Tisová, and Poříčí.

Republic of Bulgaria

In the area of electricity distribution, 16 noise load checks were performed in cooperation with Regional Health Inspectorates in and around Sofia in 2014; limits were found to be exceeded in two cases. CEZ Razpredelenie Bulgaria AD responded by preparing a set of corrective measures; measurements following their implementation found out compliance with the standard in one case but the other case will require technical measures beyond the company's scope of powers. An accredited laboratory performed a noise measurement in the vicinity of the Varna Power Plant, confirming compliance with the noise standard.

Republic of Poland

The ELCHO and Skawina power plants meet required noise limits. At night, noise produced by the ELCHO Power Plant is just below the permitted limit, so measures must be taken not to exceed it.

Romania

Noise produced by the wind turbines is monitored regularly. No violations of noise standards were identified.

Impact of Hydro Plant Operations on Ecosystems

CEZ Group's hydro plants in the Czech Republic meet all requirements imposed by applicable environmental legislation. In addition, their operations are managed in strict compliance with the operation rules of competent River Authorities. Requirements concerning territorial protection of nature apply to the greatest extent to the operations of hydro power plants located on the territory of a national park (NP) or protected landscape areas (PLA). The first category comprises the Vydra and Čeňkova Pila small hydro power plants (Bohemian Forest NP), the second category includes the Dlouhé Stráně pumped-storage power plant (Jeseníky PLA), the Střekov hydro power plant (České Středohoří PLA), and the small hydro power plants of Práčov (Železné Hory PLA) and Černé Jezero (Bohemian Forest PLA).
Because of the specific nature of pumped-storage operation, special attention is paid primarily to the Dlouhé Stráně pumped-storage power plant. A monitoring program assessing the impact of its operation on the quality of water in the Divoká Desná River has been in place since the power plant's commissioning in 1996. The results of monitored water quality indicators meet legislative requirements.
The potential impacts of the Dalešice and Mohelno power plants are also monitored as they are located in the vicinity of the Jihlava River Valley, a site of European importance. Its main object of protection is the deeply recessed river valley and its ecosystems with very high species diversity and the occurrence of a high number of endangered species of plants and animals. The power plants' effect manifests itself the most in the changed hydrologic regime of the Jihlava River downstream of the reservoir dam.
The existence of power generation facilities on the territories of national parks and protected landscape areas also brings about certain related minor restrictions for the power plants as such. For instance, the most visited site of Dlouhé Stráně, which attracts more than 80,000 visitors every year, must regulate the number of people in a group and the buses that shuttle the visitors must meet strict environmental limits.

Utilization of Renewable and Non-Renewable Energy Sources

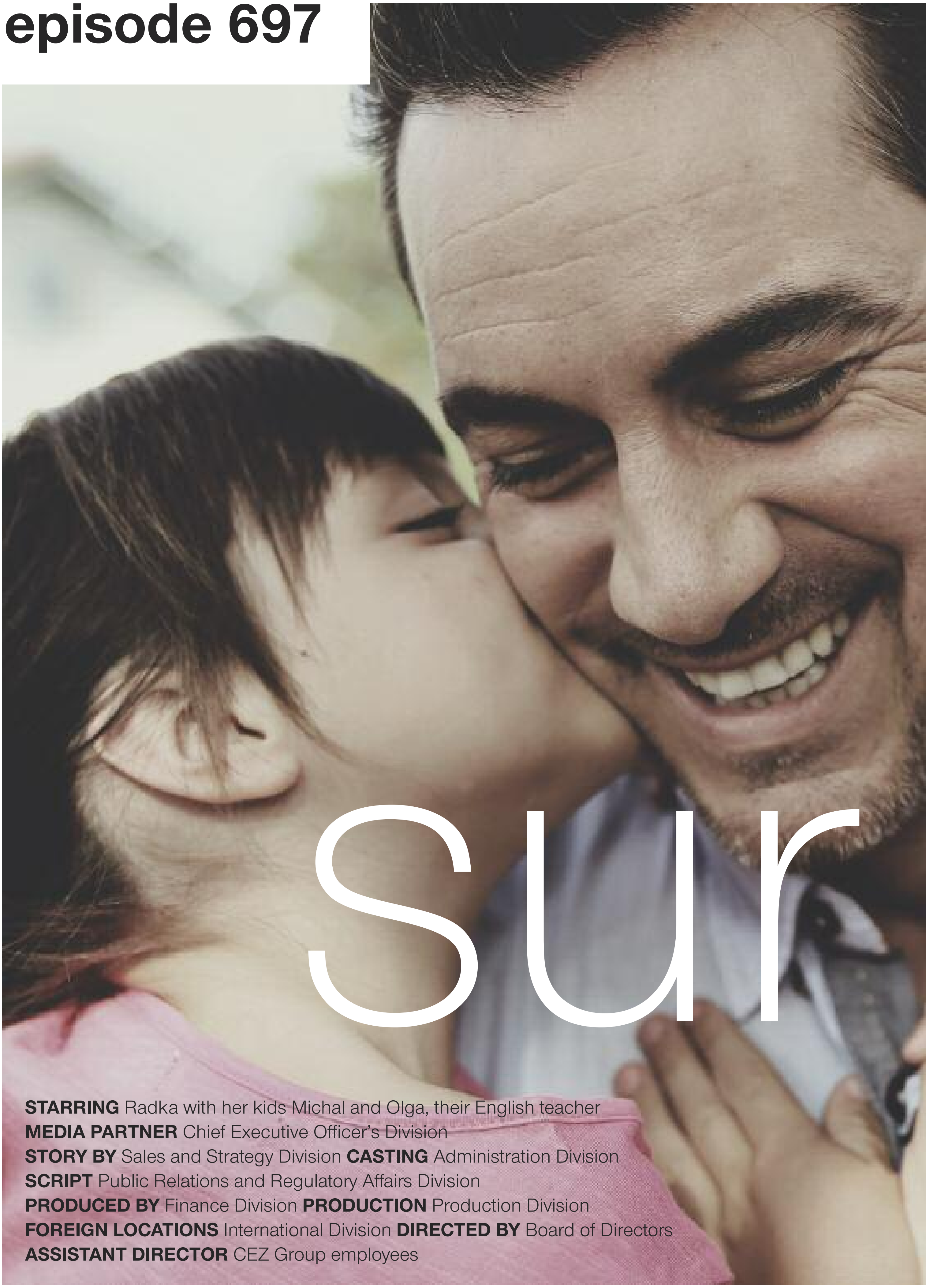
Electricity was generated at CEZ Group facilities mostly by nuclear power plants (48%); fossil—non-renewable—sources generated 45% of electricity. Renewable energy sources also have an irreplaceable role in the portfolio of CEZ Group power facilities; almost 7% of electricity was generated from renewables in 2014.
Although their share in electricity production is not big, the importance of renewables consists in environmental friendliness. However, in the natural conditions of the Czech Republic, renewables can only be considered a supplement to conventional facilities. The primary reason is the low potential of the generation of renewable electricity given by the climatic and geographic conditions of the Czech Republic, production that is difficult to predict, and the related risk of overloading the capacity of transmission and distribution grids. By contrast, CEZ Group has been generating solely renewable electricity in Romania and, since 2015, in Bulgaria.
The renewable source with the most natural energy used by CEZ Group is water power, whose share in the production of renewable electricity was over 52%. The combustion of biomass, especially wood chips and other plant products of forest and farm origin, is most often performed as pure biomass combustion, especially at CEZ Group's facilities focusing on heat generation. The share of biomass in electricity generation is 16%, photovoltaic energy represents 3%, and wind power accounts for almost 29% of renewable energy, primarily thanks to the operation of a park of wind turbines in Romania.

Consumption and Emissions

CEZ Group Consumption and Emissions in the Czech Republic

	Unit	2013	2014	2014/2013 Index (%)
Total water consumption	thousands of m^3	536,638	521,849	97.2
of which: surface water	thousands of m^3	536,461	521,584	97.2
groundwater	thousands of m^3	177	265	149.5
Emissions and specific emissions of air pollutants				
Solids	tons	2,161	1,722	79.7
Sulfur dioxide	tons	41,847	37,776	90.3
Nitrogen oxides	tons	37,986	31,077	81.8
Carbon monoxide	tons	5,479	5,252	95.9
Carbon dioxide	tons	28,996,680	24,736,722	85.3

episode 697



STARRING Radka with her kids Michal and Olga, their English teacher
MEDIA PARTNER Chief Executive Officer's Division
STORY BY Sales and Strategy Division **CASTING** Administration Division
SCRIPT Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Synopsis: A new English teacher arrives in Ústí nad Labem where Radka lives with her children Michal and Olga. He absolutely wins the hearts of both children, and so they begin to plan how to arrange for their Mom, who does not want to hear anything about a new Daddy, to meet the new teacher. When Mom reads them a text message informing about a planned power outage, their eyes sparkle with excitement. “We’ll go out for dinner with Mom to the same restaurant as Steve goes to!”

Facts: Information about planned power outages is sent as text messages after activation of the service in the ČEZ ON-LINE application.

Mom: The kids set me up but I’m grateful to them for that! That outage allowed us to enjoy a wonderful evening and I started to use English words again in my life, which I thought I had long forgotten. Now we’ve got a great friend, partner, and dream dad in our home.

prise

Research and Development

CEZ Group companies reported total expenditures on research and development (R&D) amounting to CZK 1,256.3m in 2014 (without intercompany eliminations).

CEZ Group Expenditures Relating to Research and Development in 2014 (CZK millions)

Company	R&D expenditure	Of which subsidized
ČEZ, a. s.	213.8	N/A
Centrum výzkumu Řež s.r.o.	781.2	586.5
ČEZ Distribuce, a. s.	10.5	3.8
ČEZ Energetické produkty, s.r.o.	2.4	1.5
Severočeské doly a.s.	1.0	0.7
ÚJV Řež, a. s.	247.5	119.7
Total	1,256.3	712.1

ČEZ, a. s.

A centralized system of research and development is becoming ČEZ's tool for achieving its goal to become a major holder of expertise on innovative energy technologies in the Czech Republic. Priority is given to developing and supporting highly application-oriented activities focusing on CEZ Group's key lines of business.

International

Internationally, successful collaboration continued with organizations of various professional focus, such as Electric Power Research Institute, Inc. (EPRI) in nuclear and conventional energy or VGB PowerTech, e.V. with outputs used primarily in conventional energy.
ČEZ is also a member of several European technology platforms (TPs), such as the Sustainable Nuclear Energy TP, or NUGENIA, a European association focusing on R&D of Generation II and III nuclear reactors. A domestic equivalent of European TPs is the "Czech Republic Sustainable Energy" TP, whose Executive Committee has long been chaired by a representative of ČEZ, a. s.

Nuclear Power

As part of its membership in the EPRI nuclear section, ČEZ makes intensive use of the know-how and shares the results of R&D projects specified in detail by EPRI members—nuclear plant operators from all around the world. This ensures strong application benefit of the projects. The EPRI R&D portfolio covers a wide range of areas, from fuel reliability, corrosion of materials, and safety aspects to new nuclear technologies. ČEZ's expenditures include a reactor vessel material surveillance program, which aims to obtain information on the current state of reactor pressure vessels and provide a scientific basis for predicting their useful lifetimes.
Other major nuclear projects focus on qualifying new additive materials for welding and repairing the pressure vessel of the VVER1000 reactor and on developing qualified procedures for repairing critical heterogeneous welded joints in nuclear power plants. ČEZ's other nuclear R&D projects aim to further improve the safety, environmental, and economic parameters of operated nuclear power plants.

Conventional Power

Thanks to its membership in selected EPRI programs, ČEZ receives the latest information on the commissioning of units and prevention of major problems in relation to, among other things, changes in their operation modes. Its membership also allows the company to expand its knowledge of new methods, procedures for managing mechanical equipment life cycles, and materials.

Renewable Energy Sources

Preparatory work continued on the pilot installation of a hydro turbine with a new design that can be deployed in low-head applications.

Energy Storage and Distribution Grid Development

ČEZ, a. s. continually evaluates promising directions and applications of energy storage technologies in conjunction with, among other things, the development of distributed energy technology as well as the ongoing development of electricity generation from intermittent renewable sources. ČEZ, a. s. intensively cooperates with ČEZ Distribuce, a. s. in this field.

Projects Supported by National Public Funds

As an industrial partner, ČEZ is an active participant in projects supported by the Technology Agency of the Czech Republic. A project analyzing corrosion-stressed construction materials using supercritical water and high-temperature steam as work media was successfully completed in 2014. Two projects are underway, focusing on:

- Developing a probe for continuous measurement of the dew point of flue gases (usable in coal-fired power plants),
- Regenerating boric acid using membrane processes with potential application in nuclear power plants.

A project launched in 2014 aims to map the potential of biomass as an energy source for covering local, regional, or national fuel needs.

A comprehensive project entitled “Center for Reliable Energy Research and Experimental Development” (under the Competence Centers program) aims to help increase the efficiency, service life, operational reliability, safety, and effectiveness of both coal-fired and nuclear power plants. The goal of another large project named “Waste-to-Energy Competence Center” is 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.

Fees Associated with Registration of ČEZ, a. s. Trademarks in 2014 (CZK thousands)

Fees to Czech Industrial Property Office for trademark registration and renewal in the Czech Republic	99.0
Fees to World Intellectual Property Organization for trademark registration and renewal abroad	156.1
Payments to patent counsel	183.0
Total	438.1

ČEZ Energetické produkty, s.r.o.

Initial series of verification production tests were conducted on road panels made of a specially designed mixture of coal-combustion by-products. Extensive experimental tests confirmed the feasibility of a technological process for converting coal combustion by-products into fertilizers; both projects were undertaken in collaboration with VŠCHT. The company participated in a project supported by the Ministry of Industry and Trade aiming to improve the utilization of fluid fly ash from low-temperature combustion in the production of construction materials, e.g. as an additive to lightweight aggregate. In connection with this project, some measures were taken in the operation of CEZ Group’s conventional power plants to improve fly ash distribution towards utilization in the construction industry.

ČEZ Distribuce, a. s.

R&D activities focused on the implementation of pilot projects for new technologies for medium- and low-voltage grids, especially the Vrchlabí Smart Region which is part of the Grid4EU project supported by the European Commission. Other projects concerned testing communication technologies for Smart Grids on 35kV overhead lines, detecting faults in insulated medium-voltage conductors, or testing voltage stabilization by regulation of generation plants' reactive energy. Another project is evaluation of the reliability of individual distribution system elements (element reliability) or evaluation of the operation, usability and effect of renewable energy sources (RESs) on the Czech Republic's electricity system. Attention was also paid to voltage stabilization in medium- and low-voltage distribution grids with a high share of RESs and distributed generation, with a view to assessing their effect and impacts on voltage quality.

ÚJV Řež, a. s. (ÚJV)

ÚJV centers its activities around services for the operators and manufacturers of power installations, especially nuclear power plants. Importantly, it takes part in international research and development activities, especially the EU's Seventh Framework Program for nuclear fission (EURATOM) and other international IAEA and OECD/NEA projects aimed to improve the safety of nuclear power plants with VVER reactors. R&D-related ownership interests of ÚJV Řež, a. s. include Výzkumný a zkušební ústav Plzeň s.r.o., Centrum výzkumu Řež s.r.o., and Ústav aplikované mechaniky Brno, s.r.o.
ÚJV is a member of a number of European technology platforms, consortiums, and expert networks, such as: Sustainable Nuclear Energy TP, HTR-TN (High Temperature Reactor Technology Network), JHR consortium (construction and operation of a high-performance research reactor), IGD-TP (Implementing Geological Disposal of Radioactive Waste Technology Platform), or the NUGENIA Association.
ÚJV actively participates in a number of R&D projects receiving support from the Czech Republic's national budget, especially through the Technology Agency of the Czech Republic, Ministry of Industry and Trade, and Ministry of the Interior. Most of them focus on nuclear safety (e.g. in relation to the Fukushima accident) and reliability (long-term operation of existing units, research into degradation of polymer cable materials, increasing capacity using design reserves, adoption of new nuclear sources, solutions for radioactive waste processing and disposal, using nanotechnology for minimizing radionuclide contamination of the environment). In addition, the institute is involved in projects for alternative utilization of nuclear energy in the production of hydrogen, as well as small-scale nuclear reactors for combined heat and power generation. Other undertaken projects concerned e.g. improving the efficiency of treatment of drinking water from sources with excess uranium concentrations, developing a pilot plant for monitoring reductions in mercury emissions from large and medium-sized power facilities, or projects focusing on radiopharmaceuticals.

Centrum výzkumu Řež s.r.o. (CVŘ)

CVŘ is a not-for-profit research organization that undertakes research projects on nuclear energy and safety. CVŘ expands its research portfolio by constructing new research infrastructure under the SUSEN project (building regional sustainable energy R&D centers in Řež and Pilsen). Its research makes use of experimental facilities consisting primarily of reactors and experimental loops. CVŘ also engages in activities concerning the education and training of a new generation of staff.

R&D for Operated Nuclear Reactors and Nuclear Fuel Cycle

The inspection equipment (MSIO) was innovated to allow measuring the deformation of VVER nuclear fuel matrices. The construction of pilot boric acid regeneration equipment was started with the aim of reducing the production of radioactive waste. As part of research infrastructure expansion, first deliveries of technologies for the nuclear fuel cycle program were taken, specifically anaerobic boxes.

Research into Generation IV Nuclear Reactors

Loops for research into thermal hydraulics and material behavior, especially gas, liquid metal, and supercritical water-cooled reactors, were built. Experiments and calculations for inserted zones in the LR-0 reactor were also initiated to allow research into the active cores of Generation IV reactors, specifically an FHR (Fluoride Salt-Cooled High Temperature Reactor).

Research into Nuclear Fusion

CVŘ is focusing on research into technologies for producing tritium and on removing heat generated by the fusion reaction. Work was started on research on the DEMO fusion reactor prototype under the EURATOM program, as well as for the construction of a facility for research into materials for the first wall of the ITER reactor to allow temperature cycling.

Severočeské doly a.s.

Principal activities in mining engineering research included geotechnical assessment for safe mining at the Bílina and Libouš open-pit mines in areas that were risky from a stability perspective, optimizing the design of in-pit spoil dumps (working, final, and closing slopes) with respect to the maximum utilization of dumping areas, and assessment of hydrogeological conditions at mining sites.
The project for "Improving the Service Life of Conveyor Belts Under Impact Load" (supported by the Ministry of Industry and Trade of the Czech Republic) was completed in 2014; its objective was to improve the service life of conveyor belts by designing the optimum lumpiness of conveyed material, falling height, conveyor belt structure, and impact point.

Litigation and Other Proceedings

Litigation

Czech Republic

1. ČEZ, a. s. registers suits related to the implementation of squeeze-outs:
   - A suit seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of a squeeze-out in Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,800m. The outcome of the proceedings is impossible to predict.
   - A suit 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 a 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 suit concerning the nullification of a general meeting was concluded. The potential impact of this suit on ČEZ Teplárenská, a.s. or ČEZ, a. s. is impossible to determine at this phase of the proceedings.
   - A suit for the nullification of the resolution of the General Meeting of Severočeské doly a.s. deciding on squeeze-out. The proceedings were closed upon a final judgment dismissing the action. A constitutional complaint concerning the case was filed with and rejected by the Constitutional Court.
   - An action seeking nullification of the resolution of the General Meeting of United Energy, a.s. (ČEZ Teplárenská, a.s. is the successor) deciding on squeeze-out was dismissed upon final judgment.
2. In insolvency proceedings against Lignit Hodonín, s.r.o., ČEZ, a. s. submitted a claim for over CZK 115m, CZK 23m of which is loss arising from failure to pay for electricity supplied. The remainder of the claim consists of sanction claims ensuing from signed contracts. The submitted claim was recognized in full. The bankruptcy proceedings were canceled in September 2013 due to the bankrupt's estate being absolutely insufficient to settle the creditors' claims. Thus the claim submitted by ČEZ, a. s. was not settled at all. Additionally, the receiver filed a suit against ČEZ, a. s. in August 2010 for damages amounting to CZK 196.2m, allegedly resulting from abuse of a dominant position by ČEZ, a. s. 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. By a resolution of the Municipal Court in Prague from May 2012, a new claimant entered into the proceedings, namely UVR Mníšek pod Brdy a.s., which bought the debtor's enterprise. Subsequently, the claim in dispute was assigned several times. At the moment, the holder of the claim is FORMOSANA LIMITED, which acts as the claimant in the proceedings. The outcome of the proceedings is impossible to predict.
3. ČEZ, a. s. also faces 22 lawsuits initiated by the same claimant, Lesy České republiky, s.p. All the suits have the same grounds, namely a claim for compensation of damage caused by the operations of ČEZ, a. s. to forest crops in 1997 and 1999–2011. The oldest suit is from 1999 and the latest one is from 2013. The total amount claimed is CZK 237.5m plus accessories.

4. Since June 2010, ČEZ Prodej, s.r.o. has been the claimant in a lawsuit with Správa železniční dopravní cesty, státní organizace (abb. SŽDC, in English “Railway Infrastructure Administration, state organization”), in which it is seeking CZK 805m in damages. The ground of the suit is 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 damage. The suit was heard by the Municipal Court in Prague, which dismissed the action of ČEZ Prodej, s.r.o. in April 2014 on the grounds that there was a circumstance excluding SŽDC’s liability. ČEZ Prodej, s.r.o. filed an appeal against the decision and the High Court in Prague as the court of appeal overturned the first instance ruling in March 2015, admitting the claim of ČEZ Prodej, s.r.o. in full, including accessories.
5. Since January 2013, ČEZ Prodej, s.r.o. has been involved in a lawsuit with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 857m in damages. The suit is heard by the Municipal Court in Prague with ČEZ Prodej, s.r.o. as the claimant. The ground of the suit 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 damage.
6. Since May 2012, ČEZ Prodej, s.r.o. has been involved in a lawsuit with VÍTKOVICE, a.s. heard by the Regional Court in Ostrava, in which it is seeking CZK 407m in damages as a result of a breach of an electricity supply contract in 2011 and CZK 10m as a payment for electricity consumed but unpaid for in 2011. A compulsory payment order was issued in the case, against which the defendant filed a protest; the case has not been decided yet.
7. In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s. submitted an unsecured claim for CZK 191m, consisting of losses arising from failure to pay for electricity, heat, and raw water supplied, and a claim for CZK 59m arising from the penalty requested. Both claims were recognized in review hearings that took place in H1 2011. In March 2013, an enterprise sale contract was signed as part of the realization of the debtor’s assets in the insolvency proceedings. The enterprise of the debtor, PLP a.s., was realized for USD 10m. The proceeds were rendered to the secured creditor in July 2013. The amount of settlement for Teplárna Trmice, a.s. can be expected to be zero.
8. There is 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 is 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 claims that ČEZ is acting unlawfully when enforcing said contract. ČEZ, a. s. initiated three lawsuits against SU in connection with the dispute. One of the lawsuits is heard by the Regional Court in Pilsen and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from January to May 2011, amounting to approx. CZK 56m with accessories. Another lawsuit is heard by the District Court in Sokolov and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from June to December 2011, amounting to approx. CZK 77m with accessories. Neither the Regional Court in Pilsen nor the District Court in Sokolov has yet decided on the respective case. In addition, ČEZ, a. s. filed a lawsuit with the District Court in Sokolov claiming approximately CZK 342m with accessories as a contractual penalty based on a ship-or-pay obligation in relation to brown coal deliveries in 2011. The case has not been decided yet either. In connection with the above, ČEZ, a. s. is also the subject of proceedings conducted by the Office for the Protection of Competition and the Specialized Tax Office.
9. ČEZ, a. s. filed an action against Sokolovská uhelná, právní nástupce, a.s. (SU) with the District Court in Sokolov in March 2015, seeking approximately CZK 206m with accessories in damages arising from ČEZ’s being forced to pay the cost of transportation of brown power generation coal to the Tisová Power Plant from January 2012 to December 2014, while the cost should have been paid by SU under the Long-Term Brown Power Generation Coal Sales Contract. The case is being heard by the District Court in Sokolov.
10. 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 4m together with accessories. The claims 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. Boston Capital Services’ claims arising from said contract were allegedly assigned to Mr. Juha by an agreement from 2010. Based on Mr. Juha’s notice of claim assignment, the court issued a resolution permitting that Mr. Juha be replaced in the case by the Slovakia-based M 8 Slovakia, spol. s r. o. The first hearing of the case was ordered for April 2015.

Poland, Turkey, Romania, Bulgaria

11. In 2009, Agrowind Kończewo sp. z o.o. (AWK) filed a lawsuit against seven companies jointly and severally, one of which is Eco-Wind Construction S.A. (EWC), seeking PLN 22,653,583.00 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, 2014, the claim was increased to a total of PLN 112,712,952.00 plus interest (approximately CZK 734m). The District Court in Słupsk dismissed EWC's motion to cancel the pledging of stakes in companies owned by EWC as security against AWK's claim. EWC filed an appeal against the decision with the Court of Appeal in Gdańsk but the court dismissed the appeal with a resolution dated October 28, 2014. On September 11, 2014, the District Court in Słupsk rejected AWK's motion to extend the security and the decision was upheld by the Court of Appeal in Gdańsk on November 24, 2014. The case has not been concluded yet and expert's reports are awaited. No future hearing on the merits have been ordered and since the case is still pending before the court of first instance, it can be expected to last for up to several years.
12. From 2011 and 2013, respectively, Sakarya Elektrik Dağitim A.S. (SEDAŞ) and Sakarya Elektrik Perakende Satış A.S. (SEPAŞ) filed appeals against the administrative decisions of the Turkish energy market regulator (EPDK) that formed the basis for reducing the portion of the company's controllable operating costs that was automatically recognized in tariffs. The level of SEDAŞ and SEPAŞ operating costs is defined by EPDK's decision. The level of both companies' controllable 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 and no decision on the appeal has been taken yet.
13. Distribution and sales companies in Turkey are facing lawsuits concerning a refund of the costs of technical and non-technical losses paid for by the companies' customers. For Sakarya Elektrik Dağitim A.S. (SEDAŞ), the total amount of money involved in currently pending suits is immaterial. Additionally, Turkey's Ministry of Energy and Natural Resources prepared an amendment to the Energy Act, which was submitted to the Turkish parliament on January 26, 2015. The amendment modifies the existing legislation so that no additional liabilities arise for distribution and sales companies from potential disputes over the billing of technical and non-technical losses.
14. The International Court of Arbitration of the International Chamber of Commerce in Paris closed the arbitration initiated by the Romanian company Electrica S.A. against ČEZ, a. s. in 2012. The original claim of EUR 18.8m (approximately CZK 517m) was extended to EUR 81.6m (approximately CZK 2.2bn) on the claimant's motion approved by the court in September 2013. Electrica S.A. and subsequently its successor in the proceedings, Societatea de Administrare a Participațiilor în Energie S.A., alleged that ČEZ, a. s. breached its obligations (e.g. obligation to inform the claimant of specific matters) arising from the Privatization Agreement of April 5, 2005, under which ČEZ, a. s. acquired a stake in the claimant's subsidiary, Electrica Oltenia S.A., and that it failed to pay Electrica S.A. a dividend out of the profits made by the privatized company Electrica Oltenia S.A. in 2004. The International Court of Arbitration of the ICC in Paris dismissed an overwhelming majority of the claims brought by the claimant against ČEZ. ČEZ argued and duly evidenced in the proceedings that it had met an overwhelming majority of its liabilities and obligations under the privatization agreements, which was subsequently confirmed by the arbitral tribunal. The tribunal admitted only a bare minimum of the claimant's claims, which is not of material nature.
15. Disputes that arose in connection with the construction of the Fântânele and Cogealac wind parks in Romania still continue. The most important dispute concerning the ownership of land under a transformer station is suspended.
16. CEZ Elektro Bulgaria AD and TEC Varna EAD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC), stipulating prices for the period from August 1, 2013 to July 31, 2014. The Commission had not approved the prices and required revenues as proposed by the companies and, in their opinion, had made a number of procedural errors in violation of the law when making its decision. The Supreme Administrative Court as the court of first instance dismissed the actions filed by the two companies; a decision by the court of cassation is now awaited.
17. On July 15, 2014, May 27, 2014, and July 29, 2014, respectively, the Supreme Administrative Court dismissed the actions of CEZ Elektro Bulgaria AD, CEZ Razpredelenie Bulgaria AD, and TEC Varna EAD against the decision of the State Energy and Water Regulatory Commission (SEWRC) stipulating prices with effect from December 30, 2013. The Commission had not approved the prices and required revenues as proposed by the companies and, in their opinion, had made a number of procedural errors in violation of the law when making its decision. By the decision, the Commission decreased the eligible level of CEZ Razpredelenie Bulgaria AD's technological costs to 8%. The proceedings were thus finished.

18. CEZ Razpredelenie Bulgaria AD appealed against the SEWRC's decision stipulating prices with effect from July 1, 2014, and against its subsequent decision on amendment with effect from October 1, 2014. By said decisions, the Commission reduces required revenues as proposed by the company, does not recognize the cost of deviation balancing, the actual amount of technological costs, the investments made, and the depreciation and amortization reported, harming the interests of CEZ Razpredelenie Bulgaria AD. The first hearing on the merits is to take place in the first half of 2015.
19. CEZ Elektro Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) stipulating prices with effect from July 1, 2014 and the subsequent decision on amendment with effect from October 1, 2014. By said decisions, the Commission reduces the activity surcharge, does not recognize the full costs of deviation balancing, the full amount of uncompensated costs of renewable energy, the costs of energy efficiency, and bad debts, harming the interests of CEZ Elektro Bulgaria AD. The first hearing on the merits is to take place in the first half of 2015.
20. TEC Varna EAD appealed against the SEWRC's decision stipulating prices with effect from July 1, 2014. By said decision, the Commission does not recognize the price of availability and fails to specify a mechanism for compensating the cost of quota purchases, harming the company's interests. The first hearing on the merits is to take place in the first half of 2015.
21. CEZ Razpredelenie Bulgaria AD appealed against the SEWRC's decision that stipulates, with effect from March 13, 2014, the price of access to the distribution network for the producers of renewable electricity purchased at preferential prices, amounting to 0.00 BGN/MWh, while the approved price of access to the distribution network for the producers of solar or wind electricity purchased at preferential prices is 2.45 BGN/MWh exclusive of VAT. The first hearing on the merits took place on October 1, 2014; the next one will be held on April 22, 2015.
22. CEZ Razpredelenie Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) that stipulated the execution of compensatory measures by April 15, 2014 and required the company to return to the producers of electricity from photovoltaic and wind facilities that did not dispute the SEWRC decision of September 14, 2012 the difference between the sum collected during the execution of said decision and the sum transferred to Electricity System Operator EAD (ESO) at the price of access to the distribution network for the producers of photovoltaic or wind electricity purchased at preferential prices, namely 2.45 BGN/MWh exclusive of VAT, applicable from March 13, 2014. Those producers of renewable electricity other than wind and solar electricity that did not dispute the SEWRC decision of September 14, 2012 and those against whom no court decisions were issued should be returned the full amounts collected during the execution of this SEWRC decision by the company. The first hearing on the merits took place on December 2, 2014; the next one will be held on May 26, 2015.
23. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed against the decree of April 5, 2013 stipulating regulated electricity prices, amended by the decree stipulating prices applicable from February 28, 2014. The last version of the decree changes the method of invoicing the surcharge on active power for reactive energy withdrawn and supplied, paid by distribution companies. Another change concerned costs arising from the balancing of deviations during trading (in line with the procedure defined in the Electricity Trading Rules), which are not recognized for the purposes of price regulation. The court joined the two cases together. The latest hearing of the case was held on March 31, 2015, when the court received evidence and the case was adjourned.
24. In March 2014, the National Energy Company EAD (NEK) commenced arbitration proceedings against CEZ Elektro Bulgaria AD before the Arbitration Court at the Bulgarian Chamber of Commerce and Industry. The dispute involves claims amounting to BGN 10m (approx. CZK 140m) for electricity deliveries in 2011–2012. CEZ Elektro Bulgaria AD considers the debt non-existent and the claim unsubstantiated. Three public hearings on the merits have been held so far. We expect the dispute to be finally settled in 2015.
25. As a result of a regulatory audit of compliance with the conditions of the distribution license conducted by the SEWRC, CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions over the period from June 9, 2014 to September 15, 2014, concerning its breach of obligations (especially replacement of a measuring device—electricity meter—in the owner's absence and without a witness) in connection with the Commission's audit in the period from July 1, 2008 to November 30, 2013. CEZ Razpredelenie Bulgaria AD submitted written objections to the individual decisions. The Commission may, within a period of 6 months following the issue of an administrative decision, issue penalty decisions, which can result in judicial proceedings. As at April 7, 2015, CEZ Razpredelenie Bulgaria AD received 206 penalty decisions issued by the Commission, with a penalty of BGN 20,000 (approximately CZK 283,000) per breach. CEZ Razpredelenie Bulgaria AD is considering its options for legal defense.
    The company was served with 12 warnings concerning 677 administrative decisions. It was served with 7 decisions on the termination of administrative proceedings concerning another 90 cases.

26. 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 CEZ, EVN, and Energo-Pro in Bulgaria in connection with the opening of the electricity market, initiated by the Commission for Protection of Competition (CPC) in 2013. CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and CEZ Trade Bulgaria EAD were alleged to have pursued a common strategy on the market in electricity supplies to end customers connected to the medium- and low-voltage distribution grid of CEZ Razpredelenie Bulgaria AD. The CPC is likely to issue its decision during 2015. In addition, the CPC initiated another three procedures against CEZ Razpredelenie Bulgaria AD in 2014.
27. On April 1, 2014, FM Sol EOOD filed a bankruptcy petition against CEZ Elektro Bulgaria AD with the City Court of Sofia, as there were newspaper reports that CEZ Elektro Bulgaria AD was in financial trouble. The last hearing of the case was held on March 17, 2015 and CEZ Elektro Bulgaria AD is preparing written comments in its defense as it considers the counterparty's motion unsubstantiated.
28. CEZ Elektro Bulgaria AD challenged in court a SEWRC decree stipulating the method for payment of the purchase price of energy generated from renewable sources and combined heat and power generation ("cogeneration"), as results from the obligation to purchase renewable energy at preferential prices. Based on the method, CEZ Elektro Bulgaria AD did not receive full compensation for its expenses on electricity purchases. The Supreme Administrative Court revoked the decree stipulating the method in its final decision of November 5, 2013. The SEWRC has not taken any remedial measure in accordance with the court's decision yet.

Republic of Albania

In 2013 ČEZ, a. s. officially notified the Albanian government of its intent to conduct arbitration proceedings on grounds of failure to protect its investment in the distribution and sales company by sending a "Notice of Dispute", delivered to the Albanian party on February 11, 2013. It also declared it was prepared to resolve the dispute amicably, including through mediation. Since no out-of-court settlement was reached, the Albanian party was served a "Notice of Arbitration" on May 16, 2013, by which ČEZ, a. s. officially commenced arbitration proceedings against the state of Albania under the Energy Charter Treaty according to the rules of the United Nations Commission on International Trade Law (UNCITRAL).

New negotiations about possible settlement between the parties began in late 2013. The complicated negotiations lasted until June 2014, when an agreement on settlement with the Albanian party was signed in Vienna, under the supervision of the Secretariat of the Energy Community.
The agreement was conditional on the fulfillment of several conditions precedent, including for example a bank guarantee issued by a reputable banking institution, agreement approval by the Albanian government, and subsequent ratification by the Albanian parliament and on the part of ČEZ, the approval by the Company's statutory governance bodies.
On October 16, 2014, the parties mutually acknowledged that all the conditions precedent had been met, by which the Agreement entered into effect. Under the Agreement, CEZ Group will receive a total of EUR 95m for the settlement of claims and assignment of its stake in the distribution and sales company, i.e. a sum similar to its initial investment in the acquisition; ČEZ has already received EUR 10m. The remaining amount will be paid up by 2018 in yearly installments, which are covered by a guarantee of a renowned European bank. ČEZ's 76% stake in the distribution and sales company was assigned back to the Albanian state upon the Agreement's entry into effect. As follow-up, the arbitration proceedings under the Energy Charter Treaty were terminated.

Bosnia and Herzegovina

In November 2014, amounts awarded by the International Court of Arbitration of the International Chamber of Commerce in Paris with the place of arbitration in Vienna were paid and an agreement was made on the overall settlement of the award, which upheld the claim of ČEZ, a. s. on grounds of a breach of the Implementation Agreement for the Gacko project in the Republika Srpska in Bosnia and Herzegovina and non-acceptance of the put-option by MH ERS. ČEZ, a. s. was awarded compensation of EUR 6.7 million, including voluntary performance, in the proceedings. This definitively ended the arbitration proceedings against the Republika Srpska in Bosnia and Herzegovina, MH ERS, and RiTE Gacko, initiated in 2009, in which ČEZ, a. s. sought payment of more than EUR 50 million for loss of profit, damages, and the value of its stake in NERS, d.o.o., a joint venture in which ČEZ, a. s. had held a 51% stake and MH ERS had held a 49% stake. An interim decision of the court of arbitration excluded the Republika Srpska in Bosnia and Herzegovina from the proceedings in 2011. The settlement was completed in February 2015, when the stake in NERS d.o.o. was finally transferred and the Implementation Agreement was definitely rescinded.

CEZ Group Donorship and Promotional Partnerships

An integral part of our corporate culture, philanthropy characterizes CEZ Group as a long-term supporter of education, culture, sports, and community life through corporate donorship.

Donorship

CEZ Group continued to fulfill one of the pillars of its social responsibility through active donorship in 2014. For the eleventh time, it defended its first place in the TOP Responsible Corporation competition, organized by the Business for Society platform, in the Most Generous Corporate Donor 2014 category based on the volume of donations.

Financial Donorship

CEZ Group companies donated CZK 327.6m in 2014, with direct donations accounting for CZK 158.0m and contributions to the CEZ Foundation amounting to CZK 169.6m.

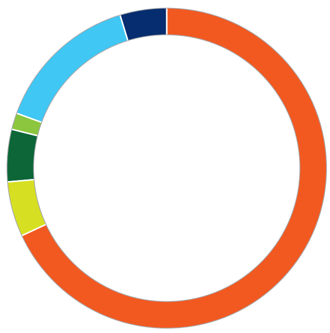
Direct Donations by CEZ Group Companies (CZK millions)

Company	Total value
Czech Republic	
ČEZ, a. s.	92.3
Centrum výzkumu Řež s.r.o.	0.1
ČEZ Distribuce, a. s.	1.3
ČEZ Distribuční služby, s.r.o.	2.6
ČEZ ICT Services, a. s.	0.4
ČEZ Korporátní služby, s.r.o.	0.4
ČEZ Prodej, s.r.o.	0.2
ČEZ Teplárenská, a.s.	0.4
ČEZ Zákaznické služby, s.r.o.	0.8
Elektrárna Počerady, a.s.	3.0
Energetické centrum s.r.o.	*
Energotrans, a.s.	0.6
EVČ s.r.o.	0.1
MARTIA a.s.	0.1
SD - Kolejová doprava, a.s.	0.1
Severočeské doly a.s.	50.4
Telco Pro Services, a. s.	0.4
ÚJV Řež, a. s.	0.5
Republic of Poland	
CEZ Polska sp. z o.o.	0.1
Eco-Wind Construction S.A.	1.2
Elektrociepłownia Chorzów ELCHO sp. z o.o.	0.9
Elektrownia Skawina S.A.	0.6
Republic of Bulgaria	
CEZ Bulgaria EAD	1.1
CEZ Razpredelenie Bulgaria AD	0.4
Romania	
CEZ Romania S.A.	0.2
Hungary	
CEZ Magyarország Kft.	*
Slovak Republic	
CEZ Slovensko, s.r.o.	0.1
CEZ Group, total	158.0

* Less than CZK 0.1m.

Direct Donations by CEZ Group Companies, by Area

Area	CZK millions	%
Municipal infrastructure and regional development	108.0	68.4
Culture and environment	8.7	5.5
Education, science, and youth	8.2	5.2
Healthcare	2.3	1.5
Sport	23.4	14.8
People in need and people with disabilities	7.4	4.7
Total	158.0	100.0



CEZ Foundation

Contributions by CEZ Group Companies to CEZ Foundation (CZK millions)

Company	Contribution
ČEZ, a. s.	60.0
ČEZ Distribuce, a. s.	66.0
ČEZ Distribuční služby, s.r.o.	18.6
ČEZ ICT Services, a. s.	0.2
ČEZ Prodej, s.r.o.	21.6
ČEZ Zákaznické služby, s.r.o.	3.2
Total	169.6

CEZ Foundation Activities

Over its twelve-year history, the CEZ Foundation (www.nadacecez.cz 1) has supported more than 5,600 public benefit projects with donations totaling CZK 1.79bn.

1

www

In 2014, it supported 714 projects with CZK 162.8m 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 to improve the life of local people in municipalities throughout the Czech Republic, 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.

Orange Classroom—support for the purchase of equipment and aids that help make physics classes better and more attractive.

Trees—support for planting rows of trees, primarily new and renewed avenues of trees and roadside trees.

Orange Crosswalk—support for lighting at crosswalks.

Employee Grants—support for nonprofit organizations that employees from CEZ Group companies in the Czech Republic volunteer at.

In addition to the above, the Orange Bike interactive project continued to travel to various cultural, social and sports events to offer visitors the opportunity to support nonprofit organizations by pedaling for one minute on a specially outfitted stationary bicycle.
For the sixth time, the CEZ Foundation was a partner of "Granting Wishes, Thinking About Others," a charitable project of CEZ Group, employees of CEZ Group companies, and the CEZ Foundation. Aid was provided to 56 families with children with disabilities in 2014.

Support for Education

ČEZ, a. s. has been running its World of Energy education program since 1992. Under it, it provides schools, teachers and students with a long-term program supporting education in technical and science-related fields. In addition to popularization, the program aims to give students positive motivation to study power engineering and get a job in the field. It is open to all schools in the Czech Republic, offering them high-quality materials, panel discussions, special seminars, and field trips. Schools as well as anybody else can also take advantage of virtual tours of our power plants, including nuclear power plants, which are newly available on the Company's website.

Promotional Partnerships

CEZ Group has long been a reliable partner in promotional partnership. CEZ Group's objective is comprehensive support for culture, sports, education, the environment, health care and small regional as well as large nationwide events.

Support in regions: NATO Days in Ostrava & Czech Air Force Days, Science Week, Science Fair 2014, Liberec Zoo, Děčín Zoo, Dvůr Králové Zoo, Most—European Capital of Sport 2015 campaign, Prague City Museum, 20th Annual František Filipovský Awards for Dubbing, Jičín—The Capital of Fairy Tales, City by Bike in Prague, Czech Police Day in Prague, Arcolor Young Fashion Festival, co-financing the sewage and gas systems in Fântânele, Romania.

Culture: Colours of Ostrava Music Festival, 49th International Film Festival in Karlovy Vary, Majáles Student Music Festival, Janáček May International Music Festival in Ostrava, Czech Film and Television Academy Awards, Czech Press Photo, Mental Power Prague Film Festival, Days of People of Good Will—Velehrad 2014, United Islands of Prague Festival, 860th Spa Season Opening in Teplice, Kadaň Fun Summer Festival, Folk Holidays Festival in Náměšť nad Oslavou, Colores Flamencos Festival in Olomouc, Sázavafest music festival, VysočinaFEST music festival, 17th Jihlava International Documentary Film Festival, Craiova Muzicală international classical music festival, Ideo Ideis theater festival, Gărâna Jazz Festival.

Amateur sports: Run Tour 2014, ČEZ Pilsen Half Marathon, Lipno Sport Fest 2014, High School Athletics Cup, Skitour cross-country skiing series, ČEZ Bedřichov Night Light Marathon, Genesis Bike Prague race series, ČEZ Bike Weekend, ČEZ Žacléř 70, ČEZ Krakonoš Bike Marathon, Kralupy nad Vltavou ice-hockey club, Maratonul Olteniei mountain bike race, Washi Karate Club in Romania, Via Sport—sports days in two Romanian cities.

Professional sports: General partner of the Czech Olympic Team in 2001–2016 and the Czech Paralympic Team, ČEZ Jizerská 50, 101st Mayor's Eights traditional rowing race, Golden Spike in Ostrava, Prague European Athletics Indoor Championship, FIVB World Grand Prix women's volleyball competition, Canoe Slalom World Cup, Jiz50 RUN, Czech Cyclo-Cross Championship, ČEZ Basketball Nymburk, VK Karlovarsko volleyball club, Vítkovice Steel ice-hockey club, Škoda Plzeň, Rytíři Kladno, mountaineer Radek Jaroš reaching the peak of Qogir (K2), Adrenalin Cup, Czech Cycling Tour 2014, FISB Skibob World Cup Finale, Czech Dance Open Ostrava 2013.

Education: "Safely to School and to Nature"—bags for first-graders, CSR Summit 2014 conference, "Power Engineering and the Environment" conference, Hydroturbo conference, Waste 21 conference, INVESTMENT FORUM and BUSINESS FORUM business conferences, NERS 2014 conference, "Energy and Heat Prices and Energy Self-Sufficiency in the Czech Republic" conference, "Czech National Interest" conference, "Threat of Cyberterrorism" conference, Retail Summit 2014 conference, ARVe 2014 conference, Non-Conventional Electricity Sources conference, 9th annual conference on Extending the Service Life of Energy Plant Components, conference on "Current Trends in Physical Protection", "ELEN 2014" conference, "For the Clean Jihlava River" conference, NUSIM 2014 conference, expert conference on "Small Nuclear Reactors for the Energy Sector and Potential for Their Use in the Czech Republic", book on famous people who came from the region of Oltenia in Romania, excursion to Bucharest for children from the Olt county.

Help for the needy: Monoski team—full skiing for the disabled regardless of age or association membership, 19th annual disabled skiers tournament, UNICEF Tennis Cup 2014, Wheelchair Table Tennis Czech Championship, 2nd benefit curling tournament, Motol Motolice 2014 concert, Children for Children benefit concert, 2nd benefit ball for blood donors, food donations to the poor in Grădina, summer camp for children from Grădina.

Environment: Czech Union for Nature Conservation, Let's Clean the Jizera Mountains 2014, Dalešice Reservoir cleaning.

Health care: Hospital in Třebíč, Czech Red Cross Water Rescue Service, Brno University Hospital, KRTEK Children's Oncology Endowment Fund, Târgu Jiu county hospital.


episode 711
inheritance

Synopsis: František is a warm-hearted, gentle man in his forties; with his freckled cheeks and red hair he still looks thirty. He has never got married although many women in their village would like to marry him. And what about now, when he is supposed to inherit?
It is a misfortune for Franta. He lives a happy life in his log house, and he needs nothing more. Now he learns that a distant aunt had some debts that he will inherit together with her house. Moreover, the house is in much worse condition than it appeared to be at first glance... František's life is suddenly upside down.

Facts: CEZ Group has put together a special team for situations that our customers do not find themselves in that often. The team is ready to help in matters related to the Energy Act concerning utility supplies, inheritance irregularities, bankruptcy, liquidation, or problems with an energy supplier switch.

František: I would like to thank ČEZ for helping me resolve this situation that was very unusual for me. Without their advice, I'd have been lost.

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MEDIA PARTNER Chief Executive Officer's Division **STORY BY** Sales and Strategy Division
CASTING Administration Division **SCRIPT** Public Relations and Regulatory Affairs Division
PRODUCED BY Finance Division **PRODUCTION** Production Division
FOREIGN LOCATIONS International Division **DIRECTED BY** Board of Directors
ASSISTANT DIRECTOR CEZ Group employees

Basic Organization Chart of ČEZ, a. s. as at April 7, 2015

General Meeting

Supervisory Board

Board of Directors

- **Chief Executive Officer's Division**
  Daniel Beneš
  - CEZ Group Communications and Marketing
  - Legal and Corporate Compliance
  - Internal Audit
  - CEZ Group Security
  - CEZ Group Safety Inspectorate
  - Management System
  - ČEZ Ombudsman's Office
  - Corporate Governance
  - Office of the Chief Executive Officer

- **Finance Division**
  Martin Novák
  - Accounting
  - Central Controlling
  - Financing
  - Taxes
  - Risk Management
  - Mergers, Acquisitions & Equity Stakes

- **Production Division**
  Ladislav Štěpánek
  - Safety
  - Production Management
  - Asset Management
  - Central Engineering
  - Supplier System Management
  - Personnel Training Center
  - Facility Renovations
  - Production Division Analytical Support
  - Dukovany Nuclear Power Plant
  - Temelín Nuclear Power Plant
  - Mělník Conventional Power Plant
  - Počerady and Ledvice Conventional Power Plants
  - Tušimice and Prunéřov Conventional Power Plants
  - Hydro Power Plants
  - Hodonín, Poříčí, Tisová, and Trmice Heating Plants
  - Vítkovice Heating Plant
  - Office of the Chief Production Officer

Audit Committee

Administration Division
Michaela Chaloupková

- Procurement for Production and Mining
- Procurement for Distribution
- Procurement of Non-Core Services and Materials
- Fuel Cycle
- Procurement Support
- Human Resources

International Division
Tomáš Pleskač

- Management of International Equity Stakes
- International Acquisitions—Bulgaria
- International Acquisitions—Romania
- International Acquisitions—Poland
- International Acquisitions—Turkey
- International Acquisitions—Albania
- International Equity Stakes' Performance Management
- Regulatory Affairs
- International Acquisitions—MOL

Sales and Strategy Division
Pavel Cyrani

- Project Office
- Business Development
- Market Analysis and Forecasting
- Nuclear Power Plant Construction
- Trading
- Portfolio Optimization

Public and Regulatory Affairs Division
Ivo Hlaváč

- CEZ Group Public Affairs
- Performance Management

Directory of Fully Consolidated Companies within CEZ Group

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The following company was established in January 2015:

CEZ Finance Polska sp. z o.o.
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Managing Director
Marynarska 11
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Republic of Poland
Phone: +48 224 440 881
Fax: +48 223 955 829
E-mail: biuro@ewcsa.pl

Information Centers and Facilities Available for Public Tours

Štěchovice Hydro Power Plant	
Type of exhibit	Run-of-river and pumped-storage hydro power plant, information center
Operator	ČEZ, a. s.
Street name, number	Prof. Vl. Lista 329
ZIP code and town	252 07 Štěchovice
Phone	602 107 453 608 308 759 211 026 111
Fax	211 026 577
E-mail	cez@cez.cz
Opening hours	Year-round
Advance reservation needed	Yes, on business days 8 a.m. to 3 p.m.
Name of nearest public transportation station/stop	Štěchovice (bus)

Dalešice Hydro Power Plant	
Type of exhibit	Pumped-storage hydro power plant and Information Center
Operator	ČEZ, a. s.
ZIP code and town	675 77 Kramolín
Phone	561 105 519
E-mail	infocentrum.edu@cez.cz
Opening hours	July–August: Sunday–Saturday 9 a.m.–4 p.m. September–June: Sunday–Saturday by advance reservation only
Advance reservation needed	Always at www.cez.cz/dalesice, group size: at least 8, no more than 48 persons
Name of nearest public transportation station/stop	Kramolín (bus)

Lipno Hydro Power Plant	
Type of exhibit	Information Center
Operator	ČEZ, a. s.
ZIP code and town	382 78 Lipno nad Vltavou
Phone	731 562 835 725 614 409 607 666 928 607 673 651 380 746 621
E-mail	infocentrum.eli@cez.cz
Opening hours	From June 15 to September 15: daily 10 a.m.–4 p.m., starts every hour on the hour; tours in German language on Wednesdays & Fridays 4 p.m.–5 p.m.
Advance reservation needed	September 16–June 14
Name of nearest public transportation station/stop	Lipno nad Vltavou, žel. st. (bus); Lipno nad Vltavou (train)

Orlík Hydro Power Plant	
Type of exhibit	Tour of Orlík power plant and dam, Information Center in Solenice
Operator	Rozvoj destinace Písecka o.s.
Street name, number	Vodní elektrárna Orlík, P. O. Box 9
ZIP code and town	262 33 Solenice
Phone	737 506 950
E-mail	pisecko@email.cz
Opening hours	Sunday–Saturday (by phone appointment or written agreement, for groups of at least 15 persons)
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Solenice (bus); Orlík – hráz (boat)

Slapy Hydro Power Plant	
Type of exhibit	Power plant tour
Operator	ČEZ, a. s.
Street name, number	Vodní elektrárna Slapy
ZIP code and town	252 08 Slapy nad Vltavou
Phone	602 107 453
E-mail	cez@cez.cz
Opening hours	Year-round
Advance reservation needed	Yes, on business days 8 a.m. to 3 p.m.
Name of nearest public transportation station/stop	Štěchovice, Třebenice (bus)

Vydra & Čeňkova Pila Hydro Power Plants	
Type of exhibit	Permanent exhibit “Energy of the Bohemian Forest” on utilization of Bohemian Forest water resources in past and today; small hydro power plants
Operator	ČEZ Obnovitelné zdroje, s.r.o.
Street name, number	Čeňkova Pila
ZIP code and town	341 92 Kašperské Hory
Phone	376 599 237
E-mail	cez@cez.cz
Opening hours	Tours begin at 9 a.m., 11 a.m., 1 p.m. and 3 p.m. June–September: Sunday and Tuesday–Saturday, May, October: Wednesdays and Saturdays
Advance reservation needed	October–May only
Name of nearest public transportation station/stop	Srní, Čeňkova Pila (bus)

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Dlouhé Stráně Pumped-Storage Hydro Power Plant	
Type of exhibit	Pumped-storage hydro power plant, Information Center
Operator	K3 SPORT, s.r.o.
Street name, number	Přečerpávací vodní elektrárna Dlouhé Stráně
ZIP code and town	788 11 Kouty nad Desnou
Phone	602 322 244 583 283 282
E-mail	infocentrum.eds@cez.cz info@k3-sport.cz
Opening hours	Year-round, seven days a week, including public holidays, 8 a.m.–4 p.m.
Advance reservation needed	Yes, **www.dlouhe-strane.cz** 1
Name of nearest public transportation station/stop	Kouty nad Desnou, Loučná nad Desnou, sportovní areál (bus)

Renewable Sources Information Center	
Type of exhibit	Information Center, Hradec Králové small hydro power plant
Operator	ČEZ Obnovitelné zdroje, s.r.o.
Street name, number	Křižíkova 233
ZIP code and town	500 03 Hradec Králové
Phone	492 122 660 725 781 564 725 781 565
E-mail	infocentrum.oze@cez.cz
Opening hours	Information Center: daily 9 a.m.–4 p.m.
Power plant tours:	Saturdays, Sundays and public holidays at 2:00 p.m. or by advance reservation (Sun–Sat)
Closed:	every first Monday of the month, January 1, Easter Monday, December 24, December 25, December 26, December 31
Advance reservation needed	Groups of over 10 persons, Power plant tours, guided tours through Information Center
Name of nearest public transportation station/stop	Labská kotlina – Obří akvárium (bus, trolleybus)

ÚJV Řež, a. s.	
Type of exhibit	LVR-15 and LR-0 reactors, experimental hall
Operator	ÚJV Řež, a. s., Centrum výzkumu Řež s.r.o.
Street name, number	Hlavní 130, Řež
ZIP code and town	250 68 Husinec
Phone	266 173 463
E-mail	jarmila.sucurova@ujv.cz
Opening hours	By advance reservation
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Husinec, Řež, závod (bus)

Dukovany Nuclear Power Plant	
Type of exhibit	Information center, power plant site
Operator	ČEZ, a. s.
Street name, number	Jaderná elektrárna Dukovany 269
ZIP code and town	675 50 Dukovany 2
Phone	561 105 519
E-mail	infocentrum.edu@cez.cz
Opening hours	Daily, including public holidays, 9 a.m.–4 p.m., July & August until 5 p.m.; closed January 1, Easter Monday, December 24, December 25, December 26
Advance reservation needed	For groups of at least 5 persons, www.cez.cz/dukovany 1
Name of nearest public transportation station/stop	Dukovany, EDU (bus)

Temelín Nuclear Power Plant	
Type of exhibit	Information Center, nuclear power plant site
Operator	ČEZ, a. s.
Street name, number	Jaderná elektrárna Temelín (Vysoký Hrádek mansion next to power plant)
ZIP code and town	373 05 Temelín – elektrárna
Phone	381 102 639
Fax	381 104 900
E-mail	infocentrum.ete@cez.cz
Opening hours	Daily, including public holidays, 9 a.m.–4 p.m., July & August until 5:30 p.m.; closed January 1, Easter Monday, December 24, December 25, December 26, December 31
Advance reservation needed	For groups of at least 5 persons
Name of nearest public transportation station/stop	Temelín, Březí u Týna, JE (bus)

Ledvice Coal-Fired Power Plant	
Type of exhibit	Information Center
Operator	ČEZ Korporátní služby, s.r.o.
Street name, number	Bílina 141
ZIP code and town	418 48 Bílina
Phone	411 102 313
E-mail	infocentrum.ele@cez.cz
Opening hours	Monday–Friday 7 a.m.–3 p.m.; closed on public holidays
Advance reservation needed	For groups of at least 10 persons, guided tours
Name of nearest public transportation station/stop	Chudeřice, závod (bus); Chotějovice (train)

Tušimice Coal-Fired Power Plant	
Type of exhibit	Power plant tour
Operator	ČEZ, a. s.
Street name, number	Elektrárny Tušimice, Kadaň 9
ZIP code and town	432 01 Kadaň
Phone	720 733 105 724 551 232
E-mail	marie.tuckova@cez.cz
Opening hours	Daily, including public holidays, 9 a.m.–4 p.m., July & August until 5:30 p.m.; closed January 1, December 24, December 25, December 26, December 31
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Tušimice, I. ELNA (bus)

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Severočeské doly a.s. Information Center	
Type of exhibit	Information Center–Brown Coal and the Future of the Ústí Region
Operator	Severočeské doly a.s.
Street name, number	Boženy Němcové 5359
ZIP code and town	430 01 Chomutov
Phone	474 604 636
E-mail	infocentrum@sdas.cz (www.sd-infocentrum.cz 1)
Opening hours	Monday–Friday 8:00 a.m.–11:30 a.m., 12:10 p.m.–3:00 p.m.; closed on public holidays
Advance reservation needed	Groups only
Name of nearest public transportation station/stop	Chomutov, Palackého (city and commuter buses, trolleybus); Chomutov, autobusové nádraží (intercity bus)

Nástup Tušimice Mines	
Type of exhibit	Open-pit coal mine
Operator	Severočeské doly a.s.
ZIP code and town	432 01 Kadaň
Phone	474 602 956
Fax	474 602 957
E-mail	hoffmanova@sdas.cz
Opening hours	Monday–Friday 6 a.m.–2 p.m.
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Tušimice, Důl Merkur (bus)

Bílina Mines	
Type of exhibit	Open-pit coal mine
Operator	Severočeské doly a.s.
Street name, number	Důlní 375/89
ZIP code and town	418 29 Bílina
Phone	417 805 012 723 467 035
E-mail	bila@sdas.cz
Opening hours	Monday–Friday 6 a.m.–2 p.m.
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Bílina, aut. nádr. (bus); Bílina (train)

ELCHO Power Plant	
Type of exhibit	Power plant tour
Operator	Elektrociepłownia Chorzów ELCHO sp. z o.o.
Street name, number	M. Skłodowskiej-Curie 30
ZIP code and town	41-503 Chorzów
Phone	+48 327 714 001
Fax	+48 327 714 020
E-mail	anna.kotlarska@cezpolska.pl
Opening hours	By advance reservation
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Chorzów, plac Jana (bus)

Skawina Power Plant	
Type of exhibit	Power plant tour
Operator	Elektrownia Skawina S.A.
Street name, number	Piłsudskiego 10
ZIP code and town	32-050 Skawina
Phone	+48 122 772 000
Fax	+48 122 778 618
E-mail	teresa.detyna@cezpolska.pl
Opening hours	By advance reservation
Advance reservation needed	Yes
Name of nearest public transportation station/stop	Skawina, Elektrownia (bus)

Information about CEZ Group's information centers in the Czech Republic can also be found at http://www.cez.cz/cs/o-spolecnosti/kontakty-skupina-cez/informacni-centra.html 2.

Information about some of CEZ Group's generation facilities in the Czech Republic can also be found at http://virtualniprohlidky.cez.cz/cez-virtualni-prohlidky 3.

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Information for Shareholders and Investors

Financial Calendar	Date
CEZ Group audited consolidated financial statements for 2014	March 3, 2015
ČEZ, a. s. audited financial statements for 2014	
CEZ Group consolidated financial figures for 2014	
Press conference	
Conference call (in English)	
CEZ Group 2014 Annual Report—electronic version in Czech and English	April 30, 2015
CEZ Group 2014 Annual Report—printed version in Czech	May 4, 2015
CEZ Group non-audited consolidated financial figures for Q1 2015	May 12, 2015
Interim consolidated financial statements	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for Q1 2015	
Accounting statements	
CEZ Group 2014 Annual Report—printed version in English	May 15, 2015
CEZ Group non-audited consolidated financial figures for H1 2015	August 11, 2015
Interim consolidated financial statements	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for H1 2015	
Accounting statements	
CEZ Group 2015 Half-Year Report	August 31, 2015
CEZ Group non-audited consolidated financial figures for Q1–Q3 2015	November 10, 2015
Interim consolidated financial statements	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for Q1–Q3 2015	
Accounting statements	
CEZ Group audited consolidated financial statements for 2015	No later than March 8, 2016
ČEZ, a. s. audited financial statements for 2015	
CEZ Group consolidated financial figures for 2015	
Press conference	
Conference call (in English)	

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Website	www.cez.cz [2]	
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Martin Schreier	martin.schreier@cez.cz	+420 211 042 612
ČEZ Foundation (Nadace ČEZ)	www.nadacecez.cz [3]	+420 211 046 720
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		fax: +36 1 266 9331
Customer line in Romania	cez_crc@cez.ro	
Mailing address: CEZ Romania S.A.,		
Str. Depozitelor 2, Târgu Jiu, judetul Gorj,		0251 929 (when calling from Romania)
ZIP code 210238		fax: 0248 524 834
Customer line in Slovakia	cez@cez.sk	0850 888 444 (when calling from Slovakia)
	info@ncenergie.sk	0850 777 555 (when calling from Slovakia)
Web Sales Office	www.cez.cz/cs/sluzby/cez-online.html [4]	
CEZ Group Ombudsman in the Czech Republic	www.cez.cz/cs/odpovedna-firma/ombudsman/jak-kontaktovat-ombudsmana.html [5]	
Josef Sedlák		
Mailing address: Ombudsman ČEZ		No phone contact
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CEZ Group Ombudsman in Bulgaria		
Radoslav Dimitrov		
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G. S. Rakovski 140, 1000 Sofie		fax: +359 (0) 28 959 770

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Glossary of Selected Terms and Abbreviations

Term	Commentary
CA-CIB	Crédit Agricole Corporate & Investment Bank
CCGT	Combined Cycle Gas Turbine
CER	Certified Emission Reductions Emission reductions achieved by implementing CDM projects (Article 12 of the Kyoto Protocol)
EUA	EU Emission Allowance EU ETS emission allowance allocated through NAP. Represents the owner's (power plant operator's) right to release 1 t of CO_2 into the atmosphere.
IAEA	International Atomic Energy Agency An inter-governmental organization promoting the peaceful utilization of nuclear energy.
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.
ISKO	Informační systémy kvality ovzduší (Air Quality Information Systems)
PSE	Prague Stock Exchange
R&D	Research and Development
RES	Renewable energy sources
UNIVERSAL STUDIOS	Trademark owned by UNIVERSAL CITY STUDIOS LLC, Universal City, California, United States of America
VŠCHT	University of Chemistry Technology in Prague
WANO	World Association of Nuclear Operators A worldwide association of nuclear plant operators

List of Units

Unit	Commentary
t	metric ton; a unit of mass
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

Method Used to Calculate Key Indicators of CEZ Group and Methodical Note

Indicator	Calculation
Net Debt	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans - (Cash and Cash Equivalents + Highly Liquid Financial Assets)
Dividend per Share (Gross)	Dividend granted in the current year, before taxes, on outstanding shares (paid in the year in question from the previous year's profit)
EBIT (Operating Income)	Income before income taxes and other income (expenses)
EBITDA (Operating Income Before Depreciation and Amortization, Impairment, and Asset Sales)	Income before income taxes and other income (expenses) + Depreciation and Amortization + Impairment of property, plant and equipment and intangible assets including goodwill [1] - Gain (Loss) on sale of property, plant and equipment
Invested Capital	Property, Plant and Equipment + Non-Current Intangible Assets + Net Working Capital
Return on Assets (ROA), net	Net Income Attributable to Parent Company Shareholders / Average Total Assets
	[2] Net Income / Average Total Assets
Return on Invested Capital (ROIC)	EBIT * (1 - Income Tax / EBIT) / (Average Invested Capital)
Return on Equity (ROE), net	Net Income Attributable to Parent Company Shareholders / Average Equity
	[2] Net Income / Average Equity
Book value per share (BVPS)	Total equity attributable to equity holders of the parent / Number of shares issued - Number of treasury shares

[1] Including write-off of canceled investments.
[2] Definition applied to ČEZ, a. s. if different from that used for CEZ Group.

Average Value = (Value at End of Previous Year + Value at End of Current Year) / 2.

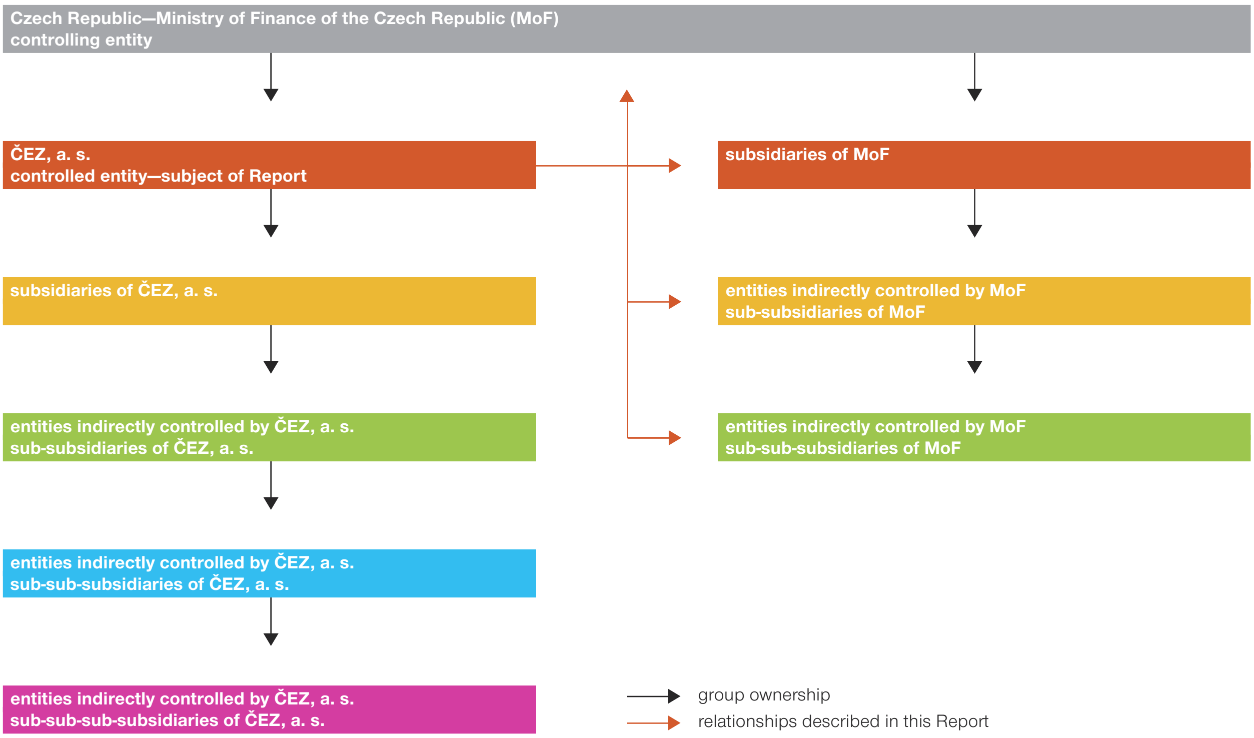
The totals and subtotals in this Annual Report can differ from the sum of partial values due to rounding.

List of Tables and Charts in the Annual Report

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 2014

The Board of Directors of ČEZ, a. s., ID No. 45274649, having its registered office at Prague 4, Duhová 2/1444, ZIP code 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, 2014 through December 31, 2014 (the "period in question").

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, ZIP code 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, ZIP code 118 10

As of December 31, 2014, the controlling entity owned shares corresponding to a 69.37% stake in the stated capital of ČEZ, a. s.

Entities controlled 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 controlling entity, and the members of which are the following controlled entities: ČEZ Distribuční služby, s.r.o.; ČEZ Energetické produkty, s.r.o.; ČEZ Energetické služby, s.r.o.; 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 Mělník III, a. s.; Elektrárna Tisová, a.s.; Telco Pro Services, a. s.; Areál Třeboradice, a.s.; ČEZ Nová energetika, a.s.; Severočeské doly a.s.; PRODECO, a.s.; SD - Kolejová doprava, a.s.; Revitrans, a.s.; ČEZ Inženýring, s.r.o.; and MARTIA a.s.

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 entities controlled by the same controlling entity as well as the structure of entities controlled and/or managed by ČEZ, a. s.

The relation structure diagram 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 task is to ensure safe and reliable fulfillment of the energy needs of its customers and society at large.

3. Method and means of control

The Czech Republic—Ministry of Finance controls ČEZ, a. s. by being its majority shareholder and thus also holding a majority share in voting rights. In view of the 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 period in question, 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 concerning assets exceeding 10% of the equity of ČEZ, a. s. as identified by its last financial statements.

5. List of mutual contracts

The Board of Directors of ČEZ, a. s. has prepared a list of mutual contracts made between ČEZ, a. s. and the controlling entity and other entities controlled by the same controlling entity, 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.

6. Assessment of whether the controlled entity incurred a loss and assessment of its settlement pursuant to Section 71 and Section 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 Section 71 and Section 72 of Act 90/2012 Sb., on business corporations.

7. Conclusion

Based on information available, 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 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 main lines of 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-described entities.

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:

Severočeské mlékárny, a.s. Teplice
Ormilk, a.s. v likvidaci (company in liquidation)
HOLDING KLADNO a.s. "v likvidaci" (company in liquidation)
Hotelinvest a.s.
PORCELÁN HOLDING a.s. v likvidaci (company ceased to exist on February 10, 2014)

The auditor's opinion is stated in the CEZ Group 2014 Annual Report.

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
   (see insert under back cover flap)
2. Alphabetical List of Companies
   (see insert under back cover flap)
3. Overview of Mutual Contracts

Annex No. 3:
Overview of mutual contracts effective in 2014 between ČEZ, a. s. and the controlling entity and other entities controlled by the same controlling entity

A. Contracts effective between ČEZ, a. s. and the controlling entity and other entities controlled by the same controlling entity

ČEPRO, a.s.

- Contract No. 4400011154, the subject of which is the consumption of the supplier's consignment, including costs related to the delivery of diesel fuel at the premises of the Temelín and Dukovany nuclear power plants.

Kongresové centrum Praha, a.s.

- Lease Contract on Commercial Premises No. 4100955508, the subject of which is the lease of communal space and ensuring of catering.

B. Contracts entered into between ČEZ, a. s. and other entities in CEZ Group

ČEZ Distribuční služby, s.r.o.

- Contract on Mutual Credit Arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group No. 22-4400000007,
- Contract on the Provision of Services (tax, accounting, HR financial services, internal auditing and monitoring services, procurement process services, internal communication, safety and quality management, controlling, risk management, professional ICT consulting and information security management) No. 4400009511,
- License Agreement on the provision of the right to use trademark No. 4400016843,
- Contract on the operation of technological equipment for substations, dated June 2, 2009,
- Framework Agreement regarding the provision of services related to the operation of energy facilities No. 4400018682,
- Framework Agreement on the provision of services abroad No. 4101070021,
- Individual agreement on the provision of services abroad—meter reading services in Bulgaria No. 4101070022,
- Individual agreement on the provision of services abroad—advisory services No. 4101070023,
- Framework 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 No. SM10-09090713,
- Contract on inspection activities—diagnostic measuring, tests and evaluations related to electrical equipment No. DE/00286935,
- Contract on the provision of heat meter reading services and processing of data from heat collection points No. 4101100199,
- Agreement on maintaining a list of persons with access to internal information of ČEZ, a. s., dated August 9, 2010,
- Contract on the provision of services (administration of data and the Converge system) No. 4101120029,
- Contract on the provision of services (purchasing of goods and securing of related services) No. 4400025731,
- Purchase contract (property of the Logistics Department) No. 2200140019,
- Contract on the transfer of a part of the employer's activities No. 2200140020,
- Contract on the reassignment of receivables, dated October 24, 2014,
- Implementation contract on a joint approach when assigning a public contract No. 2200140009,
- Contract on the protection of confidential information and personal data processing, dated September 22, 2014,
- Framework Agreement on the reassignment of receivables in the CEZ Group for the purposes of executing credit, dated January 1, 2013.

Energetické centrum s.r.o.

- Contract on mutual credit arrangements, dated September 14, 2010, as amended,
- Amendment No. 7 to the contract on the provision of real unidirectional multi-level cash pooling, dated September 8, 2010,
- Agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group, dated May 28, 2012,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group, dated May 28, 2012, as amended,
- Contract on credit arrangements, dated April 29, 2011,
- Contract on company car leasing, dated April 17, 2012,
- License agreement on the provision of the right to use trademarks, dated December 22, 2013.

ČEZ Nová energetika, a.s.

- Contract on cash pooling, dated September 23, 2013.

ČEZ Zákaznické služby, s.r.o.

- Contract on the provision of services (purchasing of electricity from producers), dated December 30, 2005,
- Contract on the provision of billing services, dated January 1, 2009,
- Contract on the provision of services (printing and packaging of shipments, dated August 31, 2010),
- Agreement on the provision of services (tax, HR, financial, internal auditing and monitoring, services related to the procurement process, risk management, ICT advice and controlling), dated February 10, 2010,
- License agreement on the provision of the right to use a trademark, dated December 30, 2010,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling in EUR for an economically connected Group, dated April 7, 2014.

Energotrans, a.s.

- Agreement on the provision of services, dated June 29, 2012, as amended,
- Contracts on the performance of a technical substitution for the provision of supporting services, dated June 1, 2014, July 1, 2014, August 1, 2014, October 1, 2014, November 1, 2014 and December 1, 2014,
- Contract on the supply of thermal energy, dated July 1, 2013, as amended,
- Contract on the supply of electricity, dated January 1, 2014,
- Contract on the supply of electricity, dated August 1, 2013,
- Contract on the acceptance of responsibility and rebilling of payments for the discrepancy, dated January 1, 2014,
- Framework Agreement on the provision of services related to the transfer of contracts on the provision of supporting services, dated August 4, 2014, as amended,
- Framework Agreement on the delivery and consumption of electricity EFET, dated June 1, 2010,
- Contract on the provision of services (chemical analysis of soot), dated July 1, 2005,
- Contract on the lease of commercial premises, dated January 26, 2001,
- Contract on the lease of land, dated January 1, 2002,
- Contract on the joint use of premises intended for providing catering, dated June 1, 2014,
- Lease Agreement (commercial premises of Mělník Power Plant II), dated June 1, 2014,
- Lease Agreement (Prague, Duhová offices), dated July 1, 2014,
- Contract on the provision of work and services, dated January 1, 2001, as amended,
- Agreement on cooperation during the preparation and realization of the “Collection and Drainage of Slag from Mělník Power Plant III, II and Energotrans”, dated November 20, 2012,
- Contract on the supply of thermal energy, dated September 17, 2013,
- Services related to checking of chemical modes of units and desulphurization, dated November 20, 2013,
- Purchase Agreement (TE in heat transfer medium), dated January 1, 2005,
- Contract on the supply of thermal energy, dated September 1, 2014,
- Purchase Agreement on the sale of brown energy coal in 2014, dated January 1, 2014.

Areál Třeboradice, a.s.

- Agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group, dated August 23, 2013,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group, dated August 23, 2013.

ČEZ OZ uzavřený investiční fond a.s.

- Agreement on the provision of services, dated April 24, 2012, as amended,
- Amendment No. 3 to the Outsourcing Agreement, dated February 24, 2014,
- Outsourcing Agreement, dated December 30, 2013, including amendments,
- Contract on mutual credit arrangements related to the agreement on the provision of multi-level real cash pooling, dated November 25, 2011, as amended,
- License agreement on the provision of the right to use trademarks, dated September 1, 2012,
- Contract on the establishment of an easement No. 001102_2012.

LOMY MOŘINA spol. s r.o.

- Contract on the supply of lime for desulphurization of coal power plants.

ÚJV Řež, a. s.

- Cooperation Contract No. 10SMP316,
- Contract on credit arrangements, dated September 9, 2011,
- Framework Agreement on ensuring technical support, dated October 19, 2011, based on which 105 partial fulfillment tasks were completed in 2014,
- 72 individual agreements, the subject of which was the ensuring of expert and technical support, maintenance, repairs and modifications of nuclear and electrical facilities, including delivery of goods,
- Lease Agreement on part of the Skalka exploratory facility for the establishment of a terrain laboratory, dated February 28, 2014,
- Memorandum of Association—VŠCHT, dated September 16, 2014,
- Technical Support Contract (Chvaletice), dated December 4, 2014.

Výzkumný a zkušební ústav Plzeň s.r.o.

- Contract on identifying causes of malfunctions No. 4100801726,
- Contract on ensuring chemical analyses No. 4100928146,
- Contract on performing base tests No. 4400025606,
- Contract on performing vibration measurements No. 4400025606,
- Contract on performing oil flow simulation No. 4400027216,
- Contract on performing upgrading of flow parts No. 4400025146,
- Contract on ensuring data analysis, monitoring and measuring of blades No. 4100970009.

Centrum výzkumu Řež s.r.o.

- Contract for work (relaying high-voltage column) No. VPUE/13/14, dated December 2, 2013,
- Contract on monitoring No. ReS/14/06, dated March 17, 2014,
- Agreement on the provision of information and protection of confidentiality No. Os/14/31, dated June 3, 2014.

EGP INVEST, spol. s r.o.

- Technical Assistance Contract No. 4100147579, dated August 19, 2010,
- 11 contracts, the subject of which is ensuring the endurance of objects and structures,
- Amendment to the Contract on the reconstruction of lighting and central maintenance workshops No. 4100906106, dated February 25, 2014,
- Contract for work (power plant layout diagrams) No. 90016171, dated March 31, 2014,
- Contract for work (parking capacity expansion) No. 4100964576, dated April 5, 2014,
- Contract for technical assistance during implementation of the comprehensive renovation in Prunéřov Power Plant II project No. 4101016310, dated August 29, 2014,
- Contract for work (parking capacity expansion) No. 4100908697, dated February 19, 2014,
- Contract for work (warning system upgrade) No. 4100926418, dated March 24, 2014,
- Contract for work (back-up emergency control center) No. 4100981712, dated July 7, 2014,
- Contract for work (warning system upgrade) No. 4101022145, dated September 12, 2014,
- Contract for work (resolution of excessive humidity) No. 410048248, as amended,
- Contract for work (proposed method and estimation of costs for ending interim storage of spent fuel) No. 4100887191.

Ústav aplikované mechaniky Brno, s.r.o.

- Technical Assistance Contract No. 4100067835, dated November 20, 2009,
- Technical Assistance Contract No. 100247574, dated December 16, 2010,
- Technical Assistance Contract No. 4100249109, dated December 17, 2010,
- Contract on the provision of activities related to Electric Power Research Institute project No. 4400017841, dated March 17, 2011,
- 18 contracts on the provision of expert advice,
- Contract on the provision of technical assistance related to atomic energy No. 4400027326, dated May 30, 2014,
- Contract for work (delivery of testing specimens of circumferential welds of a connecting pipe) No. 4100934268, dated May 12, 2014.

ČEZ Prodej, s.r.o.

- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real cash pooling on an economically connected group, dated November 30, 2010, as amended,
- Contract of Mandate, dated March 13, 2014,
- Agreement on the issue of bank guarantees, dated December 11, 2009,
- Agreement on ensuring a comprehensive electricity supply, dated August 29, 2008, as amended,
- Agreement on ensuring a comprehensive gas supply, dated December 22, 2009, as amended,
- Agreement on the sub-lease of an electric vehicle within the E-mobility project,
- License agreement on the provision of the right to use trademarks, dated September 15, 2014,
- Agreement on the provision of services, dated February 10, 2010, as amended,
- Contract on ensuring a safety standard for supplies between 2014–2015, dated September 19, 2014,
- Contract on ensuring a safety standard for supplies from January to March 2014.

SD - Kolejová doprava, a.s.

- Contract on the supply of electricity for Tušimice Power Plant, dated December 22, 2004,
- Contract of Mandate, dated March 20, 2008,
- Contract on heat supply for Mělník Power Plant, dated October 10, 2008,
- Contract on heat supply for Ledvice Power Plant, dated December 1, 2008,
- Purchase Agreement (fuel) Prunéřov Power Plant, dated April 1, 2009,
- Purchase Agreement (fuel) Ledvice Power Plant, dated May 6, 2009,
- Contract on heat supply for Tušimice Power Plant, dated February 8, 2010,
- Agreement on the provision of services, dated April 9, 2010,
- Contract on the use of a traffic route in Prunéřov Power Plant, dated October 5, 2010,
- Lease Agreement, dated April 1, 2011,
- Purchase Agreement (fuel) Počerady Power Plant, dated December 30, 2011,
- Contract on the supply of electricity for Počerady Power Plant, dated December 30, 2011,
- Contract on heat supply for Počerady Power Plant, dated January 30, 2012,
- Contract on heat supply for Tisová Power Plant, dated February 8, 2012,
- Contract on heat supply for Dvůr Králové nad Labem Heating Plant, dated March 8, 2012,
- Purchase Agreement (fuel), dated August 30, 2012,
- Contract on heat supply for Počerady Power Plant, dated November 26, 2012,
- Contract on mutual credit arrangements, No. 132/2013,
- Contract on mutual credit arrangements, No. 133/2013,
- Purchase Agreement (Trmice land), dated December 22, 2014,
- Sale of lockers, dated March 3, 2013,
- Contract on lockering of Mělník Power Plant,

- Agreement on ensuring operations of operating mechanics, dated April 15, 2014,
- Insurance policy No. 7000044207 (ensuring cover for liability for damage),
- Insurance policy No. 8000549808 (ensuring cover for medical expenses during business trips),
- Insurance policy No. 8001058214 (ensuring injury cover for members of the Board of Directors),
- Contract on operating sidings in Prunéřov Power Plant and Tušimice Power Plant, dated December 23, 2003, as amended,
- Contract on the operation of a railway and rail transport, coaling, fuel disposal and other activities—Mělník Power Plant, dated March 22, 2007,
- Contract on the operation of coaling technology ETP, dated March 23, 2009,
- Contract on the operation of coaling technology for Ledvice Power Plant No. LE/4400004993,
- Contract on the operation of a siding in Ledvice Power Plant No. LE/4400004994,
- Contract for work (thermovisual measuring of disposal sites in Prunéřov Power Plant), dated December 8, 2010,
- Contract on operating a siding and coaling for Počerady Power Plant, dated November 23, 2011,
- Contract for work (thermovisual measuring of disposal sites in Tušimice Power Plant, dated November 11, 2011,
- Contract on operating a siding, coal unloading for Tisová Power Plant, dated November 29, 2011,
- Contract on operating a siding in Dvůr Králové nad Labem Heating Plant, dated December 7, 2011,
- Contract on the transport of goods by rail—transport of coal and limestone, dated June 22, 2012, as amended by Amendments No. 1–3,
- Contract for work (cleaning of sealed dunes in Tušimice Power Plant), dated June 19, 2012,
- Contract of Mandate, dated January 9, 2013,
- Contract on the transport of limestone pieces, dated January 10, 2014,
- Contract on the operation of a railway and rail transport, coaling, fuel disposal and other activities—Mělník Power Plant, dated May 27, 2014,
- Contract on the transport of coal, dated April 4, 2014,
- 4 contracts on training (movement on tracks),
- Contract for work (transport of water after chemical cleaning), dated June 12, 2014,
- Contract on the transport of limestone pieces, dated May 22, 2014,
- Contract on the transport of limestone pieces, dated September 15, 2014,
- Contract on measuring stocks of coal and limestone, dated October 13, 2014,
- Contract for work (pouring of limestone powder), dated December 22, 2014.

Severočeské doly a.s.

- Contract on the supply of industrial coal 2011–2015, dated December 15, 2010,
- Contract on the supply of industrial coal 2002–2024, dated January 1, 2002,
- Contract on the administration of assets in linked accounts, dated August 24, 2007,
- Contract on ensuring drainage of water and water purification, dated July 29, 2014,
- Contract on the lease of real estate (Severní lom), dated December 31, 2001, as amended,
- Contract on the lease of real estate (Stodola), dated May 2, 1995,
- Contract on the lease of of real estate, dated September 1, 2011,
- Amendment No. 3 on the use of roadways, dated March 14, 2011,
- Contract on the lease of real estate (building of a workshop for bogie repairs of locomotives), dated February 1, 2011,
- Contract on the lease of real estate, dated March 20, 1995,
- Contract on the lease of real estate, dated July 29, 2014,
- Contract on the lease of real estate, dated August 21, 2014,
- Lease Agreement, dated March 1, 2013,
- Agreement on the joint-use of parking areas, dated June 1, 2014,
- Contract on the provision of ICT services, dated June 30, 2014,
- Contract on the supply, consumption and distribution of electricity, dated July 1, 2005,
- Agreement on services related to an electricity supply, dated January 30, 2009,
- Contract on heat supply, dated April 22, 2011,
- Contract on the supply of drinking water and removal of waste water, dated February 6, 2013,
- Contract on the supply of drinking water, dated February 6, 2013,
- Contract on the association of fire safety divisions, dated June 27, 1991,
- Contract on the provision of mining measurement services No. 4400026768,
- Contract on ensuring measuring of fuel disposal facilities No. 4100928467,
- Contract on tachometric measurement and calculation of coal cubature No. 4101020317,
- Contract on escrow of bills of exchange No. 4100161727,
- Contract on permitting entrance No. 4100671458,
- Contract on the supply of a chip card No. 4100899848,
- Contract on the supply of a chip card No. 4100937354,
- Contract on the supply of a chip card No. 4100974872,
- Contract on the supply of a chip card No. 4100978868,
- Contract on the provision of services (SLA procurement, audit, taxes, controlling), dated February 10, 2010,
- Contract on the supply and consumption of thermal energy, dated August 1, 2002,
- Amendment No. 2 to the contract on the supply of water, dated December 29, 2011,
- Contract on the supply and consumption of surface water, dated April 7, 2000,
- Contract for work (water liquidation), dated October 25, 2005,
- Contract on reclamation, dated November 19, 2008.

Revitrans, a.s.

- Contract on the sale of surface water, dated January 1, 2003,
- Contract on a future contract on establishment of easements, dated December 12, 2007,
- Contract on the establishment of an easement, dated February 5, 2009,
- Contract on subsequent reclamation, dated June 30, 2010, as amended,
- Agreement on the provision of services, dated December 20, 2012, as amended,
- Contract on building cartridges, dated September 30, 2014.

Elektrárna Tisová, a.s.

- Contract on the provision of services (methodical management of finances, financial reporting, ensuring cashless payments and administration of cash pooling, allocation of available resources, ensuring financing, other provided financial services and financial consulting services), dated October 1, 2012.

ČEZ Teplárenská, a.s.

- Contract on the supply of electricity, dated January 1, 2010,
- Contract on the lease of commercial premises (Říčany), dated January 4, 2012,
- Contract on the lease of commercial premises (Tušimice), dated April 14, 2014,
- Contract on the lease of commercial premises (Hodonín), dated May 30, 2014,
- Contract on the lease of commercial premises (Poříčí), dated November 1, 2010,
- Contract on the lease of commercial premises (Tisová), dated August 4, 2011,
- Contract on the supply of thermal energy (Ledvice Power Plant), dated January 3, 2006,
- Contract on the supply of thermal energy (Prunéřov Power Plant), dated January 24, 2006,
- Contract on the supply of thermal energy (Tušimice Power Plant), dated January 24, 2006,
- Contract on the supply of thermal energy (Tisová Power Plant), dated February 4, 2009,
- Contract on the supply of thermal energy (Počerady Power Plant), dated February 4, 2009,
- Contract on the supply of thermal energy (Počerady Power Plant), dated February 4, 2009,
- Contract on the supply of thermal energy (Hodonín Power Plant), dated February 4, 2009,
- Contract on the supply of thermal energy (Mělník Power Plant), dated February 4, 2009,
- Contract on the supply of thermal energy (Energetika Vítkovice), dated November 30, 2011,
- Contract on the supply of thermal energy (Tušimice Power Plant, own consumption), dated January 26, 2011,
- Contract on the supply of thermal energy (Tisová Power Plant, own consumption), dated July 21, 2010,
- Contract on the supply of thermal energy (Počerady Power Plant's offices), dated September 15, 2009,
- Contract on the supply of thermal energy (Počerady Power Plant's workshops), dated November 1, 2010,
- Contract on the supply of thermal energy (Počerady Power Plant's heat distribution building), dated January 1, 2010,
- Contract on the supply of thermal energy (Hodonín Power Plant, own consumption), dated November 1, 2010,
- Contract on the supply of electricity (subscriber location Kladská 466, Trutnov, 541 01), dated July 10, 2012,
- Contract on the supply of thermal energy, dated April 18, 2012,
- Contract on the sale of drinking water (at Tisová Power Plant's site), dated December 28, 2012,
- Contract on the lease of commercial premises (leasing of offices in Vítkovice), dated January 28, 2013,
- Contract on the supply of electricity (subscriber location Habartov–Bukovany), dated February 4, 2013,
- Contract on the supply of thermal energy (Vítkovice offices, own consumption), dated February 22, 2013,
- Contract on the supply of thermal energy (Trmice heating plant), dated September 26, 2012,
- Contract on the establishment of an easement (thermofication of the city of Ledvice), dated December 20, 2013,
- Purchase Agreement—supply of towels (Mělník), dated February 18, 2014,
- Purchase Agreement—supply of towels (Mělník), dated February 20, 2014,
- Purchase Agreement—purchase of land (Vítkovice), dated May 15, 2014,
- Lease Agreement (technological facilities—Heat-Exchanger Station in Michle), dated April 28, 2014,
- Contract for work—maintenance of Hot Track Vítkovice, dated May 5, 2014,
- Contract on the supply of electricity, dated May 30, 2014,
- Purchase Agreement—sale of scrap metal, dated June 5, 2014,
- Contract on the supply of electricity (subscriber location Hodonín Power Plant), dated June 30, 2014,
- Contract on the supply of electricity (subscriber location Hodonín offices and garages), dated June 30, 2014,
- Lease Agreement (plots of land in the cadastral territory of Trmice), dated November 11, 2014,
- Contract on the supply and consumption of natural gas (Ledvice Power Plant), dated November 28, 2014,
- Contract on the supply and consumption of demineralized water, dated November 10, 2014,
- Contract on the supply of electricity, dated November 10, 2014,
- Contract on the sale of drinking water, removal and liquidation of sludge waste water (gas boiler plant Ledvice Power Plant), dated November 30, 2014,
- Contract on the supply and consumption of ammonia water, dated December 5, 2014,
- Contract on the supply of personal protective equipment, Operating unit Hodonín, dated December 30, 2014,
- Contract on the supply of personal protective equipment, Operating unit Hodonín, dated December 30, 2014,
- Contract on the supply of thermal energy (heat gas boiler plant Ledvice Power Plant, own consumption), dated December 29, 2014,

- Contract on the supply of thermal energy (Tušimice Power Plant), dated December 5, 2014,
- Contract on the supply of thermal energy (Prunéřov Power Plant), dated December 5, 2014,
- Contract on the supply of thermal energy (Ledvice Power Plant), dated December 19, 2014,
- Agreement on the provision of services (SLA), dated February 10, 2010,
- Contract for work (laboratory analyses of fuel), dated December 21, 2007,
- Contract on the provision of services (operation and minor maintenance of technological equipment), dated December 14, 2009,
- License agreement on the provision of the right to use a trademark, dated September 19, 2013,
- Contracts on services of an OSH coordinator via the ČEZ division BOZP_KE, dated March 10, 2014,
- Contract on the expansion of IS ENERGIS infrastructure, dated June 10, 2014,
- Contract on ensuring the operation of a gas boiler room in Ledvice, dated November 26, 2014,
- Contract on transferring part of the employer's activities (ensuring operation of Hodonín Power Plant), dated June 30, 2014,
- Contract on personal data processing, dated August 4, 2011,
- Contract on mutual credit arrangements corresponding to the agreement on provision of multi-level flexi online real bilateral cash pooling for an economically connected group, dated November 30, 2010,
- Contract on the supply of thermal energy from a back-up gas boiler in Ledvice Power Plant, dated December 5, 2014,
- Contract on the supply of thermal energy, dated October 17, 2002,
- Contract on the supply of thermal energy (elevating stations), dated January 1, 2014,
- Contract on the supply of thermal energy, dated November 4, 2009,
- Contract on the supply of thermal energy, dated June 1, 2014,
- Service provision contract, dated December 21, 2009,
- Service provision contract, dated September 16, 2014,
- Service provision contract, dated September 16, 2014,
- Contract of Mandate, dated November 15, 2011,
- Contract on the supply of thermal energy, dated January 28, 2014,
- Contract on the supply of thermal energy, dated August 5, 2013,
- Contract on the supply of thermal energy, dated March 13, 2012.

Elektrárna Dětmarovice, a.s.

- Framework Agreement on purchase and sales pursuant to EFET standards, dated December 10, 2012,
- Framework Agreement on the provision of services related to the transfer of contracts on provision of supporting services, as amended by Amendment No. 1, dated July 15, 2014,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically connected group, as amended by Amendments No. 1 to 3, dated September 25, 2012,
- Service provision contract, as amended by Amendments No. 3 and 4,
- License agreement on the provision of the right to use trademarks, dated October 16, 2014,
- Contract on the acceptance of responsibility and rebilling of payments for a discrepancy and regulatory energy, dated February 20, 2014,
- Employment agency's agreement with a user on temporary assignment of the agency's employee, dated April 24, 2014,
- 8 single orders for purchasing of material,
- Contract for work—PCS control system certification in unit B2, dated March 10, 2014,
- Contract on the lease of commercial premises, as amended by Amendment No. 1, dated February 1, 2013,
- Contract on the supply of thermal energy, dated April 11, 2013,
- 3 contracts on performance of technical substitution for the provision of supporting services,
- Contract on the provision of laboratory services and the services of a caretaker and facility technologist for Energetika Vítkovice, as amended by Amendment No. 1, dated May 7, 2014,
- Contract on leasing of commercial premises, dated February 1, 2013, as amended by Amendments No. 1 to 6,
- Framework Contract for work “Maintenance of land and roadways at the site of Elektrárna Dětmarovice, a.s.”, dated April 30, 2014, as amended by Amendment No. 1,
- Lease Agreement, leasing of garages and offices, dated September 10, 2014,
- Contract on the supply of thermal energy, dated February 28, 2013, as amended by Amendments No. 1 to 5,
- 9 single orders on the purchase of materials (sale of storage reserves of the Elektrárna Dětmarovice, a.s.).

ČEZ Korporátní služby, s.r.o.

- Framework service provision agreement, dated September 1, 2005, based on which 6 partial fulfillment tasks were realized,
- Contract on leasing of commercial premises and tangible property, dated January 2, 2007,
- Property management contract, dated January 1, 2008,
- Contract on leasing of commercial premises in City Tower, dated January 1, 2010,
- Contract on leasing of tangible property, dated September 30, 2009,
- Contract on processing personal data, dated February 1, 2006,
- Contract on full service leasing, dated November 16, 2009,
- Contract on providing services (accounting, auditing, taxes, procurement, services: taxes, accounting, HR, financial, internal auditing and monitoring, procurement process, internal communication, safety and quality management, controlling, risk management, information security management, physical protection management), dated February 10, 2010,
- Contract on ensuring the operation of the Ledvice information center, dated December 7, 2009,
- Contract on leasing of vehicles, dated November 25, 2009,
- Contract on bus transport (evacuation reserve of buses for extraordinary circumstances), dated August 4, 2005,
- Contract on bus transport (evacuation reserve of buses for extraordinary circumstances), dated August 5, 2005,

- Vehicle fleet management contract, dated June 28, 2007,
- Contract on sub-leasing of commercial premises, dated April 1, 2007,
- Contract on leasing of commercial premises, dated January 1, 2014,
- Contract on the supply of electricity, dated March 28, 2014,
- Contract on leasing of commercial premises, dated May 12, 2014,
- Contract on sub-leasing of commercial premises, dated August 14, 2014,
- Contract on leasing of commercial premises (Michle, Duhová 3), dated April 11, 2011,
- License agreement on the provision of the right to use trademarks, dated December 30, 2010,
- Contract on processing personal data, dated June 28, 2011,
- Purchase Agreement (tangible items), dated November 28, 2014,
- Contract on mutual credit arrangements, dated August 20, 2010,
- Contract on supplying facility catering services, dated May 1, 2007,
- 17 contracts on supplying thermal energy.

ČEZ Distribuce, a. s.

- Service provision contract, dated February 10, 2010, as amended by Amendment No. 1,
- Contract on processing personal data, dated November 29, 2010,
- License agreement on the provision of the right to use trademarks, dated December 30, 2010,
- Contract on providing services related to occupational safety, fire prevention and environmental protection, dated February 27, 2012,
- Framework Agreement on reassignment of receivables in CEZ Group, dated January 1, 2013,
- Realization contract on a joint approach when assigning a public contract “Implementation Agreement restoration and repairs of HDO control systems”,
- 14 lease agreements,
- 2 amendments to lease agreements,
- 3 service distribution contracts,
- Framework Agreement on a location swap and the provision of regulation services when supplying electricity to the divided island of Poříčí,
- Contract on location swap and provision of regulation services when supplying electricity to the isolated island of Ropice,
- Framework Agreement on Emergency Assistance (island of Poříčí),
- Contract on the provision of regulation services when supplying electricity to the isolated island of Střelná,
- Contract on the provision of supporting services for the regulation of voltage and reactive power in 2014,
- Connection contract,
- 4 loan provision contracts,
- Foreign assistance contract,
- Agreement on the transfer of part of holiday,
- Agreement on the transfer of employees,
- Contract on conditions for providing cooperation and details from October 12, 2009.

Elektrárna Počerady, a.s.

- Framework Agreement on ensuring tax services, HR services, financial services, procurement services, internal communication services, quality and quality management system, controlling and reporting, risk management, physical protection management, trading, occupational safety, fire prevention, environmental protection, central engineering, maintenance, sale of heat and electricity, purchasing of sorbents, dated May 2, 2012,
- License agreement on the provision of the right to use trademarks, dated December 20, 2013,
- Contract on reprocessing (EPC's obligation to produce electricity and sell it to ČEZ, a. s.), dated October 1, 2012,
- Framework Agreement on providing services related to the transfer of contracts on the provision of supporting services, dated August 6, 2014,
- Contract on ensuring activities related to the operation, management and fire safety of technologies of ČEZ, a. s. at the location of Počerady on December 4, 2012,
- Contract on deliveries of operating media, chemicals, compressed air, dated December 13, 2012,
- Lease agreement on commercial premises, including services related to the lease, dated November 27, 2014.

MARTIA a.s.

- 8 contracts on activities of operating mechanics,
- 18 partial fulfillment tasks involving assembly, repair, review and maintenance of electrical and gas equipment,
- Contract on remote transfers of data from EPC from heat billing meters of ČEZ, a. s., dated September 22, 2014,
- Contract on remote transfers of data from Hodonín Power Plant from heat billing meters of ČEZ, a. s., dated October 29, 2014,
- Contract on cooperation during the provision of operations of MVE Mělník, dated March 20, 2014,
- Lease Agreement—Tušimice power plant, dated July 4, 2014,
- Lease Agreement (Trmice heating plant), dated July 10, 2014,
- Lease Agreement (location of Hodonín), dated September 23, 2014,
- Lease Agreement (location of Poříčí and Dvůr Králové), dated September 23, 2014,
- Contract on supplying thermal energy, dated October 7, 2014,
- Contract on supplying thermal energy, dated October 7, 2014,
- Contract on supplying thermal energy, dated October 29, 2014,
- Contract on the supply of electricity, dated December 15, 2014,
- Contract on supplying thermal energy, dated January 21, 2014,
- Contract on supplying thermal energy, dated March 26, 2014.

ČEZ Energetické služby, s.r.o.

- 60 contracts on delivery, repairs and maintenance of technological equipment,
- Contract on supplying natural gas No. 4100877531,
- Servicing contract, dated January 1, 2014,
- Contract on connection to the distribution network, dated January 1, 2010,
- Contract on the supply of electricity, dated November 12, 2012,
- Shaft repair contract, dated January 30, 2014,
- Contract on supplying lamellar chain, dated May 23, 2014,
- Contract on supplying demineralized water, dated May 29, 2014,
- Contract on the sale of material for pump renovation, dated September 12, 2014,
- Contract on ensuring training, dated October 31, 2014,
- Contract on securing locks, dated November 4, 2014,
- Contract on supplying thermal energy, dated September 15, 2014,
- Contract on sale of permits, dated July 4, 2014,
- Contract on use of logo, dated January 1, 2014,
- Service provision agreement, dated February 10, 2010, as amended.

ČEZ Energo, s.r.o.

- Contract on the use of a logo, dated January 1, 2011,
- Contract on loan arrangement, dated April 12, 2011,
- Contract on supplying thermal energy (Ostrava heating plant), dated August 9, 2013,
- Contract on leasing of commercial premises (Ostrava heating plant), dated October 1, 2013,
- Contract No. 4100879970 (study of economic potential), dated December 23, 2013,
- Contract on arranging operations (Ostrava heating plant), dated January 1, 2014,
- Contract on the supply and consumption of natural gas, dated June 20, 2014,
- Contract on supplying thermal energy, dated December 3, 2014,
- Service provision agreement, dated December 17, 2014.

EVČ s.r.o.

- Contract on ensuring a security system No. 45274649.

ŠKODA PRAHA a.s.

- Service provision agreement, dated February 10, 2010 (tax advice, provision of financial services, provision of internal auditing services, provision of services related to the procurement process, controlling, risk management, energy advisory services),
- Framework Agreement on the provision of services involving accounting, taxes, finances and risk management, dated June 15, 2009,
- Individual agreement on the provision of risk management services, dated June 15, 2009.

ŠKODA PRAHA Invest s.r.o.

- Lease Agreement No. SPI/1900000/068 (leasing of non-residential premises at Duhová 2, parking), as amended,
- Service provision agreement No. SPI/1900000/302, as amended,
- Lease Agreement (leasing of non-residential premises at Dukovany Power Plant), dated February 26, 2014, as amended by Amendment No. 1,
- Contract on leasing and services related to leasing, as amended,
- Amendment No. 1 to the Contract for work (project planning and implementation activities), dated March 24, 2014,
- Contract for work (partial fulfillment within the project "reconstruction of resources"), dated March 3, 2014,
- Amendment No. 2 to the Contract for work (increasing the performance of the post-accident hydrogen liquidation system), dated April 30, 2014,
- Contract for work (processing of documentation for building permit proceedings), dated April 30, 2014,
- Amendment No. 1 to the Contract for work (operation of system of the oil cooling of main coolant pumps TA, 10.20 without standard supplying of essential service water), dated July 16, 2014,
- Contract for work (updating of project database data), dated September 15, 2014,
- Amendment No. 2 to the Contract for work (ensuring an emergency cooling method), dated December 5, 2014,
- Amendment No. 1 to the Contract for work (connecting pumps for fire extinguishing water), dated November 27, 2014,
- Amendment No. 1 to the Contract for work (reconstruction of raw water supply mains) December 19, 2014,
- Contract for work (updating of selectivity 2014), dated December 31, 2014,
- Amendment No. 003 to the contract on supplying thermal energy, dated February 19, 2014,

- Amendment No. 4 to the contract on leasing and services related to leasing, dated March 25, 2014,
- Lease Agreement, dated May 31, 2014,
- Lease Agreement, dated August 29, 2014,
- Contract on ensuring psychological evaluation, dated January 2, 2014,
- Contract on ensuring psychological evaluation, dated January 14, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4100893050, dated January 20, 2014,
- Agreement on issuance of guarantees, dated January 24, 2014,
- Contract on ensuring psychological evaluation, dated February 5, 2014,
- Contract on ensuring psychological evaluation, dated March 18, 2014,
- Contract on ensuring liability insurance, dated March 19, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4100926893, dated March 18, 2014,
- Contract on ensuring psychological evaluation, dated April 2,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4100934584, dated April 1, 2014,
- Contract on ensuring psychological evaluation, dated May 14, 2014,
- Contract on ensuring travel insurance, dated May 16, 2014,
- Fulfillment based on order No. 4100895742, dated January 24, 2014,
- Contract on ensuring psychological evaluation, dated February 12, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4100973976, dated June 11, 2014,
- Contract on ensuring injury insurance of Executives, dated July 8, 2014,
- Fulfillment based on order No. 4100995500, dated July 24, 2014,
- Fulfillment based on order No. 4101008453, dated August 15, 2014,
- Contract on ensuring psychological evaluation, dated August 19, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4101012435, dated August 22, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 410102722, dated September 17, 2014,
- Contract on conducting an extraordinary audit, dated October 9, 2014,
- Contract on ensuring psychological evaluation, dated October 20, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4101056082, dated November 4, 2014,
- Fulfillment for the purpose of settling a contractual penalty based on order No. 4101058261, dated November 6, 2014,
- Contract on ensuring psychological evaluation, dated March 21, 2014.

ČEZ Bohunice a.s.

- Contract on subscription of shares, dated July 2, 2009,
- Contract on subscription of shares, dated October 12, 2009,
- Contract on processing personal data, dated June 28, 2011,
- Contract on credit arrangements, dated January 31, 2012, as amended,
- Service provision contract, dated November 3, 2009 (advice and other activities related to construction of a nuclear power plant),
- Service provision contract, dated February 10, 2010, as amended (financial services),
- Agreement on provision of multi-level flexi online real bilateral cash pooling in EUR for an economically linked group, dated August 19, 2010,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling in EUR for an economically linked group, dated August 20, 2010, as amended by Amendment No. 1,
- Contract on mutual credit arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling in EUR for an economically linked group, dated November 30, 2010, as amended by Amendment No. 1,
- Agreement on the provision of multi-level flexi online real bilateral cash pooling in EUR for an economically linked group, dated November 30, 2010, as amended by Amendment No. 1.

ČEZ ENERGOSERVIS spol. s r.o.

- 23 individual agreements on maintenance of technological equipment,
- 11 individual agreements, based on which stress tests were conducted,
- Contract for work (ensuring reserves of water) No. ES/053/2013,
- Contract for work (ensuring reserves of water) No. ES/081/2013,
- Contract for work (installation of a route for releasing of return pipe) No. ES/098/2013,
- Contract for work (changing of connections [fittings]) No. ES/112/2013,
- Contract for work (replacement of rubber-coated pipes) No. ES/115/2013,
- Contract on technical assistance No. ES/125/2013,
- Contract on project support No. ES/129/2013,
- Contract on processing a project amendment No. ES/137/2013,
- Contract for work (operating and handling of compartments) No. ES/003/2014,
- Contract for work (bypass 0QKA0BB1) No. ES/022/2014,
- Contract for work (changing dried air node) No. ES/024/2014,
- Contract for work (reduction of radiation burden) No. ES/026/2014,
- Contract for work (replacement of oils sets for sealing oils used in generators) No. ES/034/2014,
- Contract for work (revitalization of bearings) No. ES/042/2014,
- Contract for work (fire prevention) No. ES/050/2014,
- Contract for work (change of cooling) No. ES/055/2014,
- Contract for work (pressure surges in pipeline) No. ES/056/2014,
- Contract for work (repair of cable canal for flows) No. ES/064/2014,
- Contract for work (general repair of crane tracks) No. ES/075/2014,
- Contract for work (general repair of electric motors) No. ES/077/2014,
- Contract for work (repair of inlet and outlet devices) No. ES/078/2014,
- Contract for work (repair of suction pipe) No. ES/083/2014,
- Contract for work (modification of film rotor evaporator) No. ES/089/2014,
- Contract for work (providing access to diagnostic sensors) No. ES/112/2014,
- Contract on the sale of property No. ES/113/2014,
- Contract on technical assistance No. ES/114/2014,
- Contract for work (noise reduction) No. ES/116/2014,
- Contract for work (barriers against falling of objects) No. ES/121/2014,
- Contract for work (geological environment measurement) No. ES/127/2014,
- Contract for work (replacement of pipes) No. ES/041/2014,
- Contract for work (replacement of pipes) No. ES/045/2008,
- Contract for work (repair of degradation of supporting structure of eliminators) No. 4400009632,
- Contract on ensuring external professional analyses and expert services No. ES/019/2011,
- Contract for work (replacement of pipes) No. ES/054/2011,
- Contract for work (modification of pipes) No. ES/115/2012,
- Contract for work (construction modifications for pipes) No. ES/033/2013,
- Contract for work (replacement of connection of air eliminator) No. ES/097/2013,
- Contract for work (biofouling monitoring) No. ES/114/2012.

PRODECO, a.s.

- Agreement on issuance of guarantees, dated September 1, 2013,
- Contract on leasing of non-residential premises in Tušimice, dated September 10, 2013,
- Contract on mutual loan arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated October 18, 2013,
- Contract on mutual loan arrangements corresponding to the agreement on the provision of flexi online real bilateral cash pooling in EUR for an economically linked group, dated October 18, 2013,
- Contract on supplying thermal energy, dated April 14, 2014,
- Service provision agreement, dated December 19, 2012, as amended.

OSC, a.s.

- 3 contracts, as amended, on technical assistance during operation and servicing of simulators for the Temelín nuclear power plant,
- 5 contracts for work on modification of simulators at the Temelín nuclear power plant, entered into during 2013–2014,
- 3 contracts for work on modification of simulators at the Dukovany nuclear power plant, entered into during 2013–2014,
- Contract on ensuring professional training of selected ČEZ employees, dated November 3, 2014,
- 12 contracts for work on preparation and performance of certification measuring for providing support services at selected power plants of ČEZ, a. s., entered into during 2014,
- 2 contracts for work on performing special measuring for selected ČEZ power plants, entered into in 2014,

- 4 contracts for work on modifications and optimization of operation of the Real Time/Resource Information System at ČEZ dispatching, entered into during 2013–2014,
- 3 contracts for work on modifications in the PCS control system for the Temelín nuclear power plant, entered into during 2013–2014,
- Contract on securing group insurance covering injury of members of the company's statutory body, dated March 13, 2014,
- Contract on leasing of non-residential premises in Dukovany Power Plant, dated December 30, 2013, as amended,
- 4 contracts on issuance of licenses for use of supplied application programs, provided in 2014.

ČEZ Inženýring, s.r.o.

- Contract on providing technical support and services, dated June 30, 2014,
- Contract for work, dated May 13, 2014,
- Contract on the transfer of part of an employer's activities, dated June 30, 2014,
- Contract on mutual loan arrangements corresponding to the agreement on provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated June 30, 2014,
- Service provision agreement, dated July 1, 2014,
- Lease Agreement (Prague, Duhová 2 offices), dated July 1, 2014,
- Lease Agreement (non-residential premises in Ledvice), dated July 1, 2014,
- Lease Agreement (office spaces), dated July 1, 2014,
- Contract on supplying thermal energy, dated July 1, 2014 (Hodonín Power Plant),
- Contract on supplying thermal energy, dated July 1, 2014 (Počerady Power Plant),
- Contract on supplying thermal energy, dated July 1, 2014 (Dvůr Králové nad Labem heating plant),
- Contract on supplying thermal energy (Ledvice Power Plant), No. 69976200_1,
- Contract on supplying thermal energy, dated July 1, 2014 (Prunéřov Power Plant),
- Contract on supplying thermal energy, dated July 1, 2014 (Tušimice Power Plant),
- Contract on supplying thermal energy, dated September 1, 2014 (Mělník Power Plant),
- Contract on supplying thermal energy, dated December 19, 2014 (Počerady Power Plant).

ČEZ Obnovitelné zdroje, s.r.o.

- Lease Agreement, dated March 24, 2014 (the site Křižíkova 788/2),
- Service provision contract, dated February 10, 2010 (tax services, quality and management system, methods of controlling and reporting, professional ICT advice (until October 1, 2014), physical protection management (until April 1, 2014), central engineering, provision of technical and organizational activities related to environmental protection (until April 1, 2014), HR services, financial services, internal communication, risk management, accounting services, internal auditing and monitoring services, security and quality management, controlling, information security management, procurement process),
- Contract on mutual loan arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated November 30, 2010,
- Agreement on provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated November 30, 2010,
- License agreements on the provision of the right to use trademarks, dated December 30, 2010,
- Agreement on maintaining a list of persons with access to internal information of ČEZ, a. s., dated April 26, 2010,
- Contract on processing personal data, dated July 19, 2011,
- Contract on supplying of electricity, dated November 13, 2013 (from January 1, 2014 to December 31, 2014),
- Contract for work for "preparing the business objective at MVE Vydra 2", dated February 5, 2014.

ČEZ Recyklace, s.r.o.

- Agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated November 24, 2014,
- Contract on mutual loan arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated November 24, 2014.

in PROJEKT LOUNY ENGINEERING s.r.o.

- Contract on project work for the comprehensive renovation in Prunéřov Power Plant II project, dated March 8, 2013,
- Fučík Sludge pit reclamation contract, dated January 14, 2014,
- Contract on ensuring cartridges, dated March 4, 2014,
- Reclamation agreement, dated April 24, 2014,
- Contract related to re-infiltration of leachate, dated August 1, 2014,
- Contract on reclamation of the Fučík sludge pit, dated August 4, 2014,
- Contract for work (Motorway D8 Lovosice–Řehlovice–relay of Elbe River feeder in Ledvice Power Plant), dated October 14, 2014,
- Contract on ensuring cartridges for storing stabilizer, dated October 27, 2014,
- Contract on processing documentation for requests for permanent withdrawal of land intended to fulfill the function of forests, dated November 10, 2014,
- Contract on processing hydrogeological research, dated November 18, 2014,
- Contract on handling and operating rules for the water work at the Fučík sludge pit, dated December 4, 2014.

ČEZ Energetické produkty, s.r.o.

- Contract on repair and maintenance of logical units of fuel cycles No. 4400014156, dated January 26, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014155, dated January 27, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014153, dated January 27, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014158, dated January 27, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014200, dated January 23, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014157, dated January 27, 2011,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400014154, dated January 27, 2011,
- Contract on ending of operation and reclamation of sludge pit No. 4100266998, dated March 14, 2011,
- Contract on processing personal data, dated July 11, 2011,
- Contract on ensuring a rear fuel cycle No. 4400016363, dated July 21, 2011,
- Contract on ensuring a rear fuel cycle No. 4400003784, dated December 1, 2008,
- Contract on ensuring a rear fuel cycle No. 4400004269, dated December 15, 2008,
- Contract on ensuring a rear fuel cycle No. 4400003860, dated December 15, 2008,
- Contract on ensuring a rear fuel cycle No. 4400004326, dated January 1, 2009,
- Contract on ensuring a rear fuel cycle No. 4400005140, dated March 31, 2009,
- Contract on biological reclamation No. 4100365591, dated August 1, 2011,
- Contract on technical reclamation No. 4100380920, dated September 15, 2011,
- Contract on ensuring handling of biomass No. 4100377267, dated September 27, 2011,
- Contract on ensuring reclamation and landscaping No. 4100380920, dated September 15, 2011,
- Contract on sludge pit reclamation No. 4100866406, dated December 18, 2013,
- Contract on sludge pit reclamation No. 4100419693, dated November 30, 2011,
- Contract on sludge pit reclamation No. 4100525309, dated June 20, 2012,
- Contract on sludge pit reclamation No. 4100653489, dated December 10, 2012,
- Contract on storage of stabilizer No. 4100526224, dated June 6, 2012,
- Contract on repair and maintenance of logical units of fuel cycles No. 4400022466, dated March 14, 2013,
- Contract on reclamation No. 4100770297, dated July 25, 2013,
- Contract on liquidation of waste water No. 4100865052, dated December 11, 2013,
- Contract on bio corridor II reclamation No. 4100862892, dated December 16, 2013,
- Contract on sludge pit reclamation No. 4100751524, dated June 10, 2013,
- Contract on sludge pit reclamation No. 4101004790, dated September 8, 2014,
- Contract on reconstruction of BUHLER BKT conveyors and repair of EIRICH mixer No. 4100950035, dated May 28, 2014,
- Contract on certification of extra side energy products No. 4100972036, dated July 1, 2014,
- Contract on conveyor belt reconstruction No. 4100970012, dated June 23, 2014,
- Contract on landscaping and elimination of water from sludge pits No. 4100971851, dated June 27, 2014,
- Contract on technical reclamation No. 4100976670, dated July 3, 2014,
- Contract on repair and maintenance of conveyor transport of agglomerate No. 4400027577, dated July 1, 2014,
- Contract on balancing of FGD gypsum No. 4400028237, dated August 26, 2014,
- Contract on modification at desulphurization equipment No. 4100990826, dated September 16, 2014,
- Contract on removal of concrete footings No. 4101066205, dated December 10, 2014,
- Contract on pouring of limestone powder No. 4400029265, dated December 18, 2014,
- Contract on sale of storage goods No. 5600000192, dated April 30, 2008,
- Insurance agreement (ensuring travel coverage), dated July 1, 2008,
- Contract on supplying thermal energy, dated May 1, 2008,
- Contract on mutual loan arrangements—cash pooling, dated June 30, 2008,
- Contract on mutual loan arrangements corresponding to the agreement on provision of multi-level flexi online real bilateral cash pooling in EUR for an economically linked group, dated August 20, 2010,
- Purchase Agreement on the supply and consumption of electricity, dated July 1, 2008,

- Contract on the provision of services and technical and organizational activities related to occupational safety and fire prevention, dated September 1, 2008,
- Purchase Agreement (purchase of VEP and related services, dated April 1, 2009,
- Contract on supplying thermal energy, dated October 1, 2009,
- License agreement on the provision of the right to use trademarks, dated December 31, 2013,
- Service provision agreement, dated February 7, 2010,
- Combined leasing contract, dated May 1, 2011,
- Agreement on the reassignment of rights and obligations, dated March 14, 2011,
- Contract on supplying thermal energy, dated March 1, 2012,
- Contract on heat supply, dated May 6, 2013,
- Contract on leasing of a composting facility, dated April 29, 2011,
- Agreement on the financial share of repairs and maintaining of useful roadways, dated November 23, 2011,
- Contract on heat supply, dated August 1, 2014,
- Lease Agreement, dated September 5, 2014,
- Combined leasing contract, dated October 17, 2014,
- Contract on the supply of electricity, dated December 29, 2014,
- Contract on the supply of electricity, dated December 10, 2014,
- Contract on cash pooling (EUR), dated July 19, 2010,
- Contract on heat supply, dated December 19, 2014,
- Contract on heat supply, dated December 23, 2014,
- Contract on heat supply, dated December 19, 2014.

Elektrárna Mělník III, a. s.

- Service provision contract No. 5600003421.

ČEZ ICT Services, a. s.

- Contract for work No. 5A6900SM01-13015162,
- ICT service provision contract No. 5A6900SM01-13015163,
- Contract for work No. 5A6900SM01-13015169,
- Contract on a future contract No. 5A6900SM01-13015179,
- Contract on a software asignment No. 5A6900SM01-13015191,
- Contract on a future contract No. 5A6900SM01-13015208,
- Contract on a future contract No. 5A6900SM01-13015218,
- Contract for work No. 5A6900SM01-13015224,
- Contract for work No. 5A6900SM01-13015225,
- Contract for work No. 5A6900SM01-13015226,
- Contract on the provision of electric fire alarm services No. 5A6900SM01-13015227,
- Contract for work No. 5A6900SM01-13015229,
- Contract for work No. 5A6900SM01-13015235,
- Contract on a future contract No. 5A6900SM01-13015241,
- Contract on a future contract No. 5A6900SM01-13015242,
- Contract on a future contract No. 5A6900SM01-13015243,
- ICT service provision contract No. 5A6900SM01-13015245,
- ICT service provision contract No. 5A6900SM01-13015239,
- ICT service provision contract No. 5A6900SM01-13015240,
- Contract on a future contract No. 5A6900SM01-13015256,
- Contract for work No. 5A6900SM01-13015259,
- Contract for work No. 5A6900SM01-13015260,
- Contract on a future contract No. 5A6900SM01-13015261,
- ICT service provision contract No. 5A6900SM01-13015262,
- Contract for work No. 5A6900SM01-13015263,
- ICT service provision contract No. 5A6900SM01-13015270,
- ICT service provision contract No. 5A6900SM01-13015271,
- ICT service provision contract No. 5A6900SM01-13015272,
- ICT service provision contract No. 4100686676,
- ICT service provision contract No. 5A6900SM01-13015274,
- Contract on a future contract No. 5A6900SM01-13015276,
- Contract on a future contract No. 5A6900SM01-13015277,
- Contract on a future contract No. 5A6900SM01-13015278,
- Contract on a future contract No. 5A6900SM01-13015279,
- Contract on a future contract No. 5A6900SM01-13015281,
- Contract on a future contract No. 5A6900SM01-13015282,
- Contract on a future contract No. 5A6900SM01-13015283,
- Contract on a future contract No. 5A6900SM01-13015284,
- Contract for work No. 5A6900SM01-13015303,
- Internal audit contract No. 4100883352,
- Lease agreement—Prunéřov power plant No. 4100888337,
- Contract on providing training No. 4100888527,
- Contract on leasing of non-residential ICT premises, No. 4100888563,
- Contract on leasing of premises (Dukovany) No. 4100891309,
- Contract on leasing of non-residential premises (Mělník power plant) No. 4100894825,
- Contract on leasing of non-residential premises (Počerady power plant) No. 4100901203,
- Contract on ensuring catering services No. 4100936423,
- Contract on ensuring catering services No. 4100936429,
- Lease Agreement (Seifertova, Prague) No. 4100947153,
- Contract on leasing of non-residential premises (Temelín) No. 4101027840,
- Contract on auditing of selected ICTS processes No. 4101044286,
- Contract on auditing of assessment of disputed claims No. 4101047567,
- Contract on ensuring psychological evaluation No. 4101080807,
- Contract on provision of corporate services No. 4400013288,
- Contract on ensuring insurance coverage No. 4400013292,
- License agreement on the use of a trademark No. 4400025184.

Telco Pro Services, a. s.

- Contract on leasing of non-residential premises (OC Písnice storage facility) No. 4100947138,
- Contract on the provision of corporate services No. 4400023736,
- License agreement on the use of a trademark No. 4400025390.

ČEZ Slovensko, s.r.o.

- Framework Agreement on the supply and consumption of electricity (EFET), dated December 1, 2007,
- Framework Agreement on the supply and consumption of natural gas (EFET), dated June 1, 2010,
- Framework Agreement on the supply and consumption of energy certificates (EFET), dated November 21, 2014,
- Contract on access to a virtual repository and storage of gas, dated March 26, 2013,
- Contract on access to a virtual repository and storage of gas, dated June 10, 2013,
- Contract on access to a virtual repository and storage of gas, dated July 1, 2013,
- Contract on access to a virtual repository and storage of gas, dated February 12, 2014,
- Service provision contract No. 5600002650, dated June 10, 2008 (ICT services),
- Framework Agreement on the provision of services No. 5600003070, dated January 2, 2012 (financial services, risk management services, trading services),
- Contract on the provision of services related to wholesale trading with electricity and natural gas in Slovakia, dated August 12, 2013,
- License agreement on the provision of the right to use trademarks of ČEZ in Slovakia, dated April 30, 2010,
- Agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated December 1, 2010, for accounts maintained in CZK, which ČEZ Slovensko s.r.o. has accessed based on a request for access, dated February 1, 2012,
- Contract on mutual loan arrangements corresponding to the agreement on the provision of multi-level flexi online real bilateral cash pooling for an economically linked group, dated January 26, 2012 for accounts denominated in CZK,
- Multi Target Balancing Agreement, dated February 1, 2010, on providing of cash pooling for accounts maintained in EUR,
- Mutual Credit Facility Agreement, dated January 27, 2010, on mutual loan arrangements related to an agreement on the provision of cash pooling for accounts maintained in EUR,
- Agreement on the issue of guarantees, dated December 21, 2007.

CEZ Hungary Ltd. (CEZ Magyarország Kft.)

- Framework Agreement on the supply and consumption of electricity (EFET), dated June 1, 2006,
- Framework Agreement on financial market trading (ISDA), dated September 30, 2013,
- Framework Agreement on the supply and consumption of energy certificates (EFET), dated October 15, 2014,
- Service provision contract No. 4100060555, dated June 10, 2008 (ICT services),
- Service provision contract No. 5600004735, dated December 20, 2013 (trading services),
- Contract on provision of services related to wholesale trading with electricity and natural gas in Hungary, dated April 14, 2010,
- Contract on the provision of services related to potential CCGT investments in Hungary, dated May 2, 2011,
- License agreement on the provision of the right to use a trademark of ČEZ in Hungary, dated April 30, 2010,
- Multi Target Balancing Agreement, dated February 1, 2010, on providing of cash pooling for accounts maintained in EUR and HUF,
- Mutual Credit Facility Agreement, dated January 27, 2010, on mutual loan arrangements related to an agreement on the provision of cash pooling for accounts maintained in EUR and HUF,
- Agreement on the issue of guarantees, dated August 30, 2006.

CEZ Srbija d.o.o.

- Framework Agreement on the supply and consumption of electricity (EFET), dated August 1, 2007,
- Service provision contract No. 4100012777, dated June 19, 2008 (ICT services),
- Contract on business cooperation in wholesale trading with electricity in Serbia, dated October 20, 2008,
- License agreement on the provision of the right to use a trademark of ČEZ in Serbia, dated April 30, 2010,
- Agreement on the issue of guarantees, dated November 5, 2006.

CEZ Trade Bulgaria EAD

- Framework Agreement on the supply and consumption of electricity (EFET), dated November 1, 2007,
- Contract on business cooperation in wholesale trading with electricity in Serbia, dated July 16, 2008,
- Contract on loan arrangements, dated January 5, 2009.

CEZ Trade Romania S.R.L.

- Framework Agreement on the supply and consumption of electricity (EFET), dated March 1, 2009,
- Contract on business cooperation in wholesale trading with electricity in Romania, dated November 16, 2007,
- Contract on provision of services related to balancing of transactions with electricity, dated December 27, 2012,
- Agreement on the issue of guarantees, dated June 10, 2007.

CEZ Trade Polska sp. z o.o.

- Framework Agreement on the supply and consumption of electricity (EFET), dated December 15, 2007,
- Contract on the provision of services related to wholesale trading with electricity in Poland, dated June 8, 2010 (ancillary services),
- Service provision contract No. 5600004736, dated December 20, 2013 (trading services),
- Service provision contract, dated December 29, 2008 (services involving reporting of deliveries/receipt of electricity to a grid operator),
- Agreement on the issue of guarantees, dated June 9, 2008,
- A warranty agreement, dated August 1, 2007 for the Polish energy regulator (URE).

Shared Services Albania Sh.A.

- Framework Agreement on the Provision and Coordination of Services, dated May 18, 2010,
- Amendment No. 1 of the Framework Agreement on the Provision and Coordination of Services, dated December 1, 2011,
- Individual Agreement on the Provision of Services No. I, dated May 24, 2010,
- Individual Agreement on the Provision of Services No. II, dated May 24, 2010,
- Individual Agreement on the Provision of Services No. IV, dated October 4, 2010,
- Individual Agreement on the Provision of Services No. V, dated September 13, 2011,
- Set-Off Agreement, dated December 4, 2014.

CEZ Polska sp. z o.o.

- Rent contract for office for ČEZ, a. s., dated April 16, 2014 (the subject of the contract is rental of non-residential premises),
- Mutual credit facility agreement, dated July 1, 2014 (the subject of the agreement is the provision of cash pooling),
- Amendment No. 4 to the individual agreement on the provision of services No. II, dated December 21, 2014,
- Mutual credit facility agreement, dated November 10, 2011 (the subject of the agreement is the provision of cash pooling),
- Administration fee 2014, No. 9010097358,
- Agreement on the Provision of Services (Internal audit),
- Agreement on the Provision of Services No. II,
- Trading application, dated June 12, 2009 (the subject is the provision of services),
- SLA contract ICT, dated June 12, 2009.

Elektrownia Skawina S.A.

- Frame Agreement—Energy sale, dated January 1, 2009 (the subject of the frame agreement is the sale of electricity),
- Frame Agreement—Energy sale and CO_2 handling, dated July 1, 2006 (the subject of the frame agreement is the sale of electricity and provision of emission allowances),
- Agreement on the provision of services in connection to wholesale electricity trading in Poland, dated March 22, 2011.

Elektrociepłownia Chorzów ELCHO sp. z o.o.

- General Agreement Concerning the Delivery and Acceptance of Electricity, dated November 30, 2006,
- Agreement on the provision of services in connection to wholesale electricity trading in Poland, dated October 30, 2013,
- Confidentiality Undertaking, dated October 2, 2014,
- Credit Agreement and other Finance Documents, dated October 31, 2000.

CEZ Towarowy Dom Maklerski sp. z o.o.

- Contract on the provision of brokering services on markets organized by TGE (Towarową Giełda Energii, the Polish commodity exchange), dated July 30, 2014,
- PEAK5_M-01-15 (purchase of electricity with future settlement), dated December 18, 2014,
- PEAK5_M-01-15 (purchase of electricity with future settlement), dated December 22, 2014,
- PEAK5_M-01-15 (purchase of electricity with future settlement), dated December 22, 2014,
- PEAK5_Q-1-15 (purchase of electricity with future settlement), dated December 23, 2014.

Eco-Wind Construction S.A.

- Loan Facility Agreement, dated February 3, 2012, No. 2012/2.

A.E. Wind sp. z o.o.

- Loan Facility Agreement, dated March 9, 2012, No. 2012/4.

Elektrownie Wiatrowe Lubiechowo sp. z o.o.

- Loan Facility Agreement, dated March 9, 2012, No. 2012/5.

Farma Wiatrowa Leśce sp. z o.o.

- Loan Facility Agreement, dated March 9, 2012, No. 2012/6.

Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o.

- Loan Facility Agreement, dated March 9, 2012, No. 2012/7.

Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.

- Individual Agreement on the Provision of Services No. I, dated July 1, 2013,
- Individual Agreement on the Provision of Services No. II, dated July 1, 2013.

Akenerji Elektrik Üretim A.Ş.

- Individual Agreement on the Provision of Services No. I, dated October 10, 2010,
- Agreement for the Provision of Services, dated February 28, 2011,
- Agreement on the Provision of Services, dated November 2, 2009,
- CEZ Permanent Establishment Agreement in Turkey—Rent Agreement, dated February 28, 2011 (the subject of the contract is rental of non-residential premises).

CEZ Bulgaria EAD

- Framework Agreement on the provision and coordination of services—No. HS30023140, dated June 25, 2007 (the subject of the agreement is provision of services involving organization and administration, regulatory advice, public relations, customer service, asset management, finances, controlling and reporting, human resources, IT and telecommunications, procurement and logistics, transport, project management),
- Individual agreement on the provision of services No. I—No. HS30023141, dated June 25, 2007 (the subject of the agreement is collection of information and marketing research, fulfillment of verification and organizational processes, implementing network expansion, technical restoration, metering of data/electricity meter readings, technical inspection, regulatory management, internal auditing, assistance/cooperation during negotiations with trade union organizations),
- Individual agreement on the provision of services No. II—No. 5600002751, dated December 1, 2011 (the subject of the agreement is administrative/management services, financial services, treasury, controlling, financial accounting, energy economics, rate calculation, engineering services and network management, legal services, human resources, insurance coverage management, procurement and logistics, project management and tax services),
- Individual agreement on the provision of services No. III—No. HS30023143, dated June 25, 2007 (the subject of the agreement is IT services),
- Individual agreement on the provision of services No. IV—No. HS30023144, dated June 25, 2007 (the subject of the agreement is services for remote reading of data/readings of electricity meters connected to central voltage, processing of data/readings, submitting data for billing, management and administration of data in Converge and regular provision of selected profiles),
- Individual agreement on the provision of services No. V—No. HS30031716, dated December 3, 2007 (the subject of the agreement is services for maintenance of WAN/LAN data networks and data network monitoring),
- Individual agreement on the provision of services No. VI—dated December 10, 2008 (the subject of the agreement is services for providing access to the internet/intranet for applications and modules related to web portals, web applications and presentations; internet—providing access to the internet via CITRIX; OIS—providing access to specific applications and modules of the information system, the purpose of which is to support the sale of energy and business activities),
- Individual agreement on the provision of services No. VII—No. 4100088819, dated November 5, 2010 (the subject of the agreement is GPS Fleetware services, a system of monitoring and tracking means of transport, including administration and management and operational maintenance as well as supplying of necessary hardware).

Bara Group OOD

- Agreement on the provision of advisory services, dated July 1, 2014 (the subject of the agreement is the provision of consulting services in connection with the construction of an electric power plant burning biomass for combined production of up to 2 MW_e, located in Smolyan).

TEC Varna EAD

- Termination Agreement, dated May 18, 2010 (the subject of the agreement is issuance of quotas for permits in accordance with the terms of “the Annex on Purchasing and Sale of Emission Quotas”, “Framework Agreement on Supplying and Receipt of Electricity”).

CEZ Bulgarian Investments B.V.

- Amendment No. 3 to the agreement on provision of services, dated December 20, 2011 (the subject of the agreement is the provision of financial services).

CEZ Chorzow B.V.

- Amendment No. 3 to the agreement on provision of services, dated December 20, 2011 (the subject of the agreement is provision of financial services),
- Mutual Credit Facility Agreement (the subject of the agreement is the provision of cash pooling).

CEZ Silesia B.V.

- Amendment No. 3 to the agreement on provision of services, dated December 27, 2011 (the subject of the agreement is provision of financial services),
- Mutual Credit Facility Agreement (the subject of the agreement is the provision of cash pooling).

CEZ International Finance B.V.
- Amendment No. 3 to the agreement on provision of services, dated December 23, 2011 (the subject of the agreement is the provision of financial services).

CEZ MH B.V.
- Amendment No. 3 to the agreement on provision of services, dated December 27, 2011 (the subject of the agreement is the provision of financial services),
- Mutual Credit Facility Agreement (the subject of the agreement is the provision of cash pooling),
- Loan facility, CEZ MHBV 2014/1.

CEZ Poland Distribution B.V.
- Amendment No. 3 to the agreement on provision of services, dated December 23, 2011 (the subject of the agreement is the provision of financial services),
- Agreement on provision of advisory services,
- Agreement on the provision of services,
- Mutual Credit Facility Agreement (the subject of the agreement is the provision of cash pooling).

CEZ International Finance Ireland Ltd.
- Amendment No. 3 to the agreement on provision of services, dated December 23, 2011 (the subject of the agreement is the provision of financial services),
- Mutual Credit Facility Agreement (the subject of the agreement is the provision of cash pooling).

CM European Power Slovakia, s.r.o.
- Loan facility, 0545878/01CRZ.

Ovidiu Development S.R.L.
- Loan Facility Agreement, 2009/11,
- Agreement of the issuance of guarantees, dated April 10, 2013 (the subject of the agreement is the issue of guarantees),
- Agreement on the supply and consumption of electricity (EFET), dated February 26, 2014.

CEZ Deutschland GmbH
- Loan facility, 2012/8.

Tomis Team S.R.L.
- Loan Facility Agreement, 2013/1,
- Agreement of the issuance of guaranties, dated April 10, 2013 (the subject of the agreement is the issue of guarantees),
- Guarantee and indemnity deed No. 2007-0524, dated December 17, 2010 (the subject of the agreement is the issue of guarantees).
- Agreement on the supply and consumption of electricity (EFET), dated February 26, 2014.

MW Team Invest S.R.L.
- Loan Facility Agreement, 2013/2.

CM European Power International B.V.
- Loan facility,
- Loan facility.

CEZ DISTRIBUTIE S.A.
- Agreement of the issuance of guaranties, dated April 5, 2013.

CEZ Vanzare S.A.
- Agreement of the issuance of guarantees, dated January 23, 2013,
- Contract No. 1020263, dated April 8, 2013 (the subject of the agreement is the sale of electricity),
- Contract No. 1272065, dated November 11, 2013 (the subject of the agreement is the sale of electricity),
- Contract No. 1556957, dated May 27, 2014 (the subject of the agreement is the sale of electricity),
- Contract No. 1798304, dated October 29, 2014 (the subject of the agreement is the sale of electricity),
- Agreement of the issuance of guaranties N 91_1, dated January 23, 2013,
- Full Supply Agreement, dated September 1, 2010 (an agreement on supplying a full quantity of energy).

CEZ Romania S.A.
- Agreement on the provision of services, dated July 22, 2008 (the subject of the agreement is the GPS rental),
- Amendment No. 4 to the individual agreement on the provision of services No. III, dated July 29, 2013 (the subject of the agreement is the provision of services),
- Multi target balancing agreement 2010/2 (the subject of the agreement is cash pooling).

Supplementary Information on CEZ Group Members

Individual Results of Fully Consolidated Companies

Fully consolidated companies	Operating revenues		Operating expenses		EBITDA	
	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
Czech Republic						
ČEZ, a. s.	84,706	83	(68,879)	84	29,657	83
Areál Třeboradice, a.s.	12	100	(24)	15	4	133
Centrum výzkumu Řež s.r.o.	737	255	(731)	256	25	100
ČEZ Bohunice a.s.	N/A	N/A	(3)	100	(3)	100
ČEZ Distribuce, a. s.	51,726	88	(42,626)	87	15,819	100
ČEZ Distribuční služby, s.r.o.	7,956	85	(7,321)	90	1,373	68
ČEZ Energetické produkty, s.r.o.	983	96	(896)	94	87	136
ČEZ Energetické služby, s.r.o.	726	102	(657)	98	98	132
ČEZ ENERGOSERVIS spol. s r.o.	1,932	209	(1,872)	209	64	213
ČEZ ESCO, a.s.	N/A	N/A	N/A	N/A	N/A	N/A
ČEZ ICT Services, a. s.	4,054	89	(3,686)	95	1,525	82
ČEZ Inženýring, s.r.o.	70	N/A	(91)	N/A	(21)	N/A
ČEZ Korporátní služby, s.r.o.	2,186	92	(1,778)	94	596	85
ČEZ Nová energetika, a.s.	N/A	N/A	(16)	N/A	(16)	N/A
ČEZ Obnovitelné zdroje, s.r.o.	2,096	96	(2,037)	93	59	N/A
ČEZ OZ uzavřený investiční fond a.s.	1,682	114	(856)	83	1,576	118
ČEZ Prodej, s.r.o.	72,090	86	(69,121)	86	3,348	86
ČEZ Recyklace, s.r.o.	N/A	N/A	N/A	N/A	N/A	N/A
ČEZ Teplárenská, a.s.	2,848	88	(2,859)	91	318	79
ČEZ Zákaznické služby, s.r.o.	1,123	99	(1,051)	96	72	189
Elektrárna Dětmarovice, a.s.	3,422	104	(2,903)	116	643	69
Elektrárna Mělník III, a. s.	N/A	N/A	(2)	100	(2)	100
Elektrárna Počerady, a.s.	7,855	67	(8,594)	116	3,827	78
Elektrárna Tisová, a.s.	N/A	N/A	(2)	100	(2)	100
Energetické centrum s.r.o.	186	110	(143)	98	67	146
Energotrans, a.s.	3,361	87	(2,290)	96	1,235	73
EVČ s.r.o.	249	N/A	(244)	N/A	9	N/A
MARTIA a.s.	543	153	(521)	151	29	193
PRODECO, a.s.	1,624	54	(1,579)	55	82	46
Revitrans, a.s.	2,130	136	(1,807)	137	605	138
SD - Kolejová doprava, a.s.	1,217	102	(796)	102	483	101
Severočeské doly a.s.	10,115	87	(8,289)	95	4,169	82
ŠKODA PRAHA a.s.	40	40	(82)	104	(42)	N/A
ŠKODA PRAHA Invest s.r.o.	9,103	52	(9,099)	54	6	2
Telco Pro Services, a. s.	719	147	(616)	151	240	145
Tepelné hospodářství města Ústí nad Labem s.r.o.	492	87	(471)	87	35	81
ÚJV Řež, a. s.	1,223	84	(1,164)	84	149	91

Depreciation and amortization		Net income		Total assets		Equity		Workforce head count as at December 31	
2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
(13,527)	101	20,910	79	537,183	98	206,132	100	5,373	95
(16)	80	(10)	9	368	97	300	97	N/A	N/A
(18)	86	1	N/A	1,116	107	334	131	292	114
N/A	N/A	N/A	N/A	3,224	100	3,223	100	N/A	N/A
(6,723)	103	7,059	98	134,044	98	94,103	101	1,228	102
(772)	98	505	51	8,096	91	6,458	93	2,686	94
(2)	67	70	140	423	87	233	135	361	>999
(29)	91	55	153	671	96	502	104	344	122
(4)	100	48	229	802	76	128	158	491	107
N/A	N/A	N/A	N/A	400	N/A	400	N/A	N/A	N/A
(1,212)	100	295	51	5,107	96	3,892	95	418	97
N/A	N/A	(12)	N/A	125	N/A	68	N/A	113	N/A
(237)	97	328	80	4,483	91	4,000	89	405	96
N/A	N/A	(16)	N/A	N/A	N/A	(8)	N/A	N/A	N/A
(2)	50	49	N/A	418	84	199	80	4	5
(748)	100	600	248	11,844	97	11,479	95	N/A	N/A
(379)	100	2,398	84	29,864	102	9,303	95	221	95
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(329)	102	8	11	4,310	97	3,431	95	353	128
N/A	N/A	55	204	361	95	77	157	837	99
(132)	95	431	65	3,428	119	2,692	119	220	98
N/A	N/A	(2)	100	16	89	16	89	N/A	N/A
(525)	96	(601)	N/A	9,121	62	7,025	65	264	97
N/A	N/A	(2)	100	16	89	16	94	N/A	N/A
(23)	100	31	238	307	95	129	132	42	91
(169)	72	864	66	5,066	98	4,094	90	151	102
(4)	N/A	7	N/A	200	N/A	61	N/A	N/A	N/A
(6)	150	21	300	169	118	71	131	274	171
(33)	106	37	37	802	89	463	103	714	97
(298)	148	258	130	1,837	99	1,253	126	909	96
(62)	102	341	101	1,045	104	771	101	644	108
(2,349)	95	1,892	72	31,805	102	21,579	103	2,899	97
N/A	N/A	(48)	N/A	957	210	776	313	40	160
(2)	40	4	1	4,462	68	161	17	357	73
(136)	156	82	130	949	102	751	112	92	98
(14)	93	17	74	490	120	214	102	84	95
(99)	102	42	105	2,476	98	1,453	103	682	93

Individual Results of Fully Consolidated Companies

Fully consolidated companies	Operating revenues		Operating expenses		EBITDA	
	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
Republic of Poland						
A.E. Wind sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green I sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green II sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green III sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green IV sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green V sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green VI sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green VII sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Baltic Green VIII sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
CEZ Polska sp. z o.o.	232	113	(221)	114	20	95
CEZ Produkty Energetyczne Polska sp. z o.o.	96	102	(85)	101	11	122
CEZ Towarowy Dom Maklerski sp. z o.o.	10	125	(12)	150	(1)	N/A
CEZ Trade Polska sp. z o.o.	704	122	(674)	120	30	188
Eco-Wind Construction S.A.	78	50	(82)	25	(2)	1
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,515	107	(1,520)	95	1,224	123
Elektrownia Skawina S.A.	2,010	101	(2,145)	87	174	N/A
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Farma Wiatrowa Leśce sp. z o.o.	N/A	N/A	6	N/A	N/A	N/A
Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o.	N/A	N/A	7	N/A	N/A	N/A
Mega Energy sp. z o.o.	N/A	N/A	N/A	N/A	N/A	N/A
Republic of Bulgaria						
Bara Group OOD	N/A	N/A	(40)	N/A	(40)	N/A
CEZ Bulgaria EAD	1,351	81	(1,346)	82	61	64
CEZ Elektro Bulgaria AD	20,130	107	(19,747)	104	382	N/A
CEZ Razpredelenie Bulgaria AD	4,967	63	(4,874)	64	965	89
CEZ Trade Bulgaria EAD	3,076	186	(2,980)	185	96	234
Free Energy Project Oreshets EAD	38	100	(35)	130	16	55
TEC Varna EAD	1,054	102	(2,115)	105	(765)	266
Romania						
CEZ Distributie S.A.	5,449	106	(4,656)	102	1,843	120
CEZ Romania S.A.	815	97	(772)	96	58	118
CEZ Trade Romania S.R.L.	41	8	(40)	8	1	N/A
CEZ Vanzare S.A.	9,007	91	(8,521)	89	486	174
M.W. Team Invest S.R.L.	269	53	(1,080)	500	172	39
Ovidiu Development S.R.L.	680	97	(2,252)	>999	692	64
TMK Hydroenergy Power S.R.L.	79	>999	7	N/A	158	N/A
Tomis Team S.R.L.	961	97	(3,724)	632	364	42
Republic of Albania						
CEZ Trade Albania Sh.P.K.	N/A	N/A	6	23	6	15
Shared Services Albania Sh.A.	15	65	(7)	N/A	7	4
Kingdom of Netherlands						
CEZ Bulgarian Investments B.V.	45	N/A	(35)	54	12	N/A
CEZ Chorzow B.V.	N/A	N/A	(5)	125	(5)	125
CEZ International Finance B.V.	N/A	N/A	(5)	83	(5)	83
CEZ MH B.V.	N/A	N/A	(11)	275	(11)	275
CEZ Poland Distribution B.V.	N/A	N/A	(72)	96	(63)	84
CEZ Silesia B.V.	N/A	N/A	(3)	100	(3)	100
Bosnia and Herzegovina						
CEZ Bosna i Hercegovina d.o.o.	N/A	N/A	(2)	9	(2)	200
Federal Republic of Germany						
CEZ Deutschland GmbH	N/A	N/A	(1)	100	(1)	100
Ireland						
CEZ Finance Ireland Ltd.	N/A	N/A	(1)	33	(1)	33
CEZ International Finance Ireland Ltd.	N/A	N/A	(2)	100	(2)	100
Hungary						
CEZ Magyarország Kft.	2,093	137	(2,055)	132	38	N/A
Slovak Republic						
CEZ Slovensko, s.r.o.	5,750	98	(5,706)	93	44	N/A
Republic of Serbia						
CEZ Srbija d.o.o.	164	44	(164)	44	N/A	N/A
Republic of Cyprus						
Taidana Limited	N/A	N/A	N/A	N/A	N/A	N/A
Ukraine						
CEZ Ukraine LLC	N/A	N/A	N/A	N/A	N/A	N/A

Depreciation and amortization		Net income		Total assets		Equity		Workforce head count as at December 31	
2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
N/A	N/A	N/A	N/A	58	94	(2)	100	N/A	N/A
N/A	N/A	N/A	N/A	6	200	6	200	N/A	N/A
N/A	N/A	N/A	N/A	9	225	8	267	N/A	N/A
N/A	N/A	N/A	N/A	8	267	8	267	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	1	N/A	1	N/A	N/A	N/A
N/A	N/A	N/A	N/A	2	N/A	1	N/A	N/A	N/A
N/A	N/A	N/A	N/A	26	N/A	2	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(8)	89	9	100	1,082	78	69	113	74	101
N/A	N/A	9	113	49	123	34	131	22	96
N/A	N/A	3	150	289	219	42	105	14	N/A
N/A	N/A	34	189	262	100	71	187	10	100
(2)	67	(22)	16	628	101	244	90	19	86
(230)	102	805	133	7,848	91	6,178	96	91	97
(307)	104	(113)	29	4,938	91	3,343	90	166	98
N/A	N/A	N/A	N/A	15	115	(2)	100	N/A	N/A
N/A	N/A	6	(75)	1	100	(3)	33	N/A	N/A
N/A	N/A	7	N/A	1	100	(3)	27	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	(36)	N/A	247	>999	(35)	N/A	N/A	N/A
(56)	100	1	7	636	61	82	104	602	92
N/A	N/A	349	N/A	4,523	132	1,133	147	66	102
(878)	108	118	49	10,685	89	8,185	95	2,544	98
N/A	N/A	84	240	627	158	191	184	16	178
(14)	108	(1)	N/A	208	95	18	90	N/A	N/A
(97)	41	(1,074)	120	1,791	64	1,272	55	302	79
(1,046)	112	681	131	16,474	104	13,896	106	1,202	98
(14)	108	34	117	3,162	139	101	75	505	100
N/A	N/A	1	(100)	18	29	11	110	4	100
N/A	N/A	460	251	2,505	99	769	111	43	98
(157)	107	(744)	N/A	2,733	78	(153)	N/A	N/A	N/A
(456)	111	(1,598)	N/A	10,304	84	(1,399)	N/A	N/A	N/A
(71)	645	44	N/A	1,170	102	203	129	26	100
(503)	107	(2,438)	>999	11,512	80	281	10	16	114
N/A	N/A	5	14	7	233	7	350	N/A	N/A
N/A	N/A	7	4	24	67	14	N/A	N/A	N/A
N/A	N/A	20	N/A	1,002	93	981	103	N/A	N/A
N/A	N/A	967	318	2,153	186	2,133	184	N/A	N/A
N/A	N/A	236	104	10,624	103	1,339	123	N/A	N/A
N/A	N/A	(1,530)	169	10,028	62	(2,603)	341	N/A	N/A
N/A	N/A	98	N/A	3,214	104	2,000	104	N/A	N/A
N/A	N/A	(3)	N/A	1,645	101	1,623	101	N/A	N/A
N/A	N/A	(1)	N/A	19	95	19	95	N/A	N/A
N/A	N/A	N/A	N/A	37	100	37	100	N/A	N/A
N/A	N/A	5	N/A	8,289	100	8,289	100	N/A	N/A
N/A	N/A	(2)	100	9,284	101	9,275	101	N/A	N/A
N/A	N/A	27	N/A	355	125	73	730	7	88
N/A	N/A	31	N/A	986	97	471	108	27	96
N/A	N/A	N/A	N/A	85	218	9	100	1	50
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Individual Results of Joint Ventures

Joint ventures	Operating revenues		Operating expenses		EBITDA	
	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
Czech Republic						
ČEZ Energo, s.r.o.	704	113	(620)	111	161	150
LOMY MOŘINA spol. s r.o.	238	107	(223)	102	39	975
Slovak Republic						
CM European Power Slovakia, s. r. o.	2,363	39	(2,482)	44	(119)	N/A
Jadrová energetická spoločnosť Slovenska, a. s.	21	95	(152)	106	(100)	105
JESS Invest, s. r. o.	N/A	N/A	(4)	100	(4)	100
Kingdom of Netherlands						
CM European Power International B.V.	N/A	N/A	(3)	75	(3)	75
Republic of Turkey						
Akcez Enerji A.S.	241	201	(226)	204	15	150
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	N/A	N/A	(2)	200	(2)	200
AK-EL Yalova Elektrik Üretim A.S.	N/A	N/A	(1)	100	(1)	100
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	N/A	N/A	(1)	100	(1)	100
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	7,229	137	(7,646)	145	(415)	N/A
Akenerji Elektrik Üretim A.S.	2,954	84	(2,547)	80	392	40
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	275	37	(267)	68	167	32
Egemer Elektrik Üretim A.S.	3,416	N/A	(3,872)	>999	34	N/A
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	175	45	(181)	108	82	25
Sakarya Elektrik Dagitim A.S.	3,964	67	(3,491)	60	477	575
Sakarya Elektrik Perakende Satis A.S.	14,659	91	(14,168)	92	492	70

Depreciation and amortization		Net income		Total assets		Equity		Workforce head count as at December 31	
2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)	2014	2014/2013 Index (%)
(77)	183	67	122	1,383	113	725	112	61	94
(25)	N/A	12	300	426	101	373	102	N/A	N/A
N/A	N/A	99	26	5,242	93	2,364	105	104	100
(31)	119	(128)	114	6,105	99	6,084	99	N/A	N/A
N/A	N/A	(4)	100	326	102	326	103	N/A	N/A
N/A	N/A	(382)	490	1,710	69	1,292	78	N/A	N/A
N/A	N/A	(476)	>999	10,259	102	3,861	94	272	101
N/A	N/A	38	97	810	106	803	107	N/A	N/A
N/A	N/A	N/A	N/A	79	48	79	48	N/A	N/A
N/A	N/A	2	200	31	111	31	111	N/A	N/A
(2)	100	(359)	>999	1,076	125	(250)	N/A	N/A	N/A
(250)	77	(640)	N/A	21,030	105	10,832	99	255	85
(160)	92	(63)	24	5,063	102	3,001	103	N/A	N/A
(490)	N/A	(1,814)	226	16,789	112	1,798	51	N/A	N/A
(88)	94	(158)	42	3,106	102	1,717	>999	N/A	N/A
N/A	N/A	302	915	4,114	106	353	720	1,475	100
N/A	N/A	561	76	5,457	122	1,886	128	103	98

Fees Charged by External Auditors to Companies of the Consolidated CEZ Group in 2014 (CZK millions)

	Audit services	Tax consulting	Economic and organizational consulting	Other	Total
ČEZ, a. s.	27.3	3.1	12.0	–	42.4
Fully consolidated CEZ Group companies	51.0	1.5	0.1	26.3	79.0
CEZ Group total	78.3	4.6	12.1	26.3	121.4

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Independent Auditor's Report

To the Shareholders of ČEZ, a. s.:

We have audited the accompanying consolidated financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2014, and consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of CEZ Group see Notes 1 and 8 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Building a better
working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young Audit, s.r.o.
License No. 401

Martin Skácelík, Auditor
License No. 2119

March 2, 2015
Prague, Czech Republic

CEZ Group
Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2014

in CZK Millions

ASSETS	2014	2013 (restated*)	Jan 1, 2013 (restated*)
Property, plant and equipment:			
Plant in service	701,316	665,354	656,386
Less accumulated provision for depreciation	(371,515)	(340,888)	(320,537)
Net plant in service (Note 3)	329,801	324,466	335,849
Nuclear fuel, at amortized cost	10,953	10,688	9,702
Construction work in progress (Note 3)	85,788	90,508	73,738
Total property, plant and equipment	426,542	425,662	419,289
Other non-current assets:			
Investment in joint-ventures (Note 8)	12,277	12,999	14,807
Investments and other financial assets, net (Note 4)	36,348	25,746	38,374
Intangible assets, net (Note 5)	20,611	20,701	21,507
Deferred tax assets (Note 28)	1,738	824	750
Total other non-current assets	70,974	60,270	75,438
Total non-current assets	497,516	485,932	494,727
Current assets:			
Cash and cash equivalents (Note 9)	20,095	25,003	17,955
Receivables, net (Note 10)	50,864	67,485	54,692
Income tax receivable	1,618	1,065	1,798
Materials and supplies, net	8,462	8,054	7,670
Fossil fuel stocks	1,481	2,552	4,031
Emission rights (Note 11)	5,097	8,505	12,153
Other financial assets, net (Note 12)	39,438	38,400	39,476
Other current assets (Note 13)	3,299	3,398	3,321
Total current assets	130,354	154,462	141,096
TOTAL ASSETS	627,870	640,394	635,823

EQUITY AND LIABILITIES	2014	2013 (restated*)	Jan 1, 2013 (restated*)
Equity:			
Equity attributable to equity holders of the parent:			
Stated capital	53,799	53,799	53,799
Treasury shares	(4,382)	(4,382)	(4,382)
Retained earnings and other reserves	211,891	208,659	200,818
Total equity attributable to equity holders of the parent (Note 14)	261,308	258,076	250,235
Non-controlling interests	4,543	4,690	3,658
Total equity	265,851	262,766	253,893
Long-term liabilities:			
Long-term debt, net of current portion (Note 15)	160,852	168,196	176,106
Accumulated provision for nuclear decommissioning and fuel storage (Note 18)	47,302	43,827	42,415
Other long-term liabilities (Note 19)	25,917	26,840	22,542
Total long-term liabilities	234,071	238,863	241,063
Deferred tax liability (Note 28)	20,609	19,201	21,810
Current liabilities:			
Short-term loans (Note 20)	7,608	2,716	4,784
Current portion of long-term debt (Note 15)	15,674	28,104	12,005
Trade and other payables (Note 21)	60,331	63,297	73,383
Income tax payable	830	1,719	1,613
Accrued liabilities (Note 22)	22,896	23,728	27,272
Total current liabilities	107,339	119,564	119,057
TOTAL EQUITY AND LIABILITIES	627,870	640,394	635,823

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

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, 2014

in CZK Millions

	2014	2013 (restated*)
Revenues:		
Sales of electricity and related services	173,819	189,356
Gains and losses from electricity, coal and gas derivative trading, net	2,861	1,579
Sales of gas, coal, heat and other revenues	23,977	26,053
Total revenues (Note 23)	200,657	216,988
Operating expenses:		
Fuel	(12,686)	(13,808)
Purchased power and related services	(76,005)	(79,030)
Repairs and maintenance	(4,991)	(5,477)
Depreciation and amortization	(27,705)	(27,902)
Impairment of property, plant and equipment and intangible assets including goodwill (Note 6)	(8,025)	(8,469)
Salaries and wages (Note 24)	(18,852)	(18,698)
Materials and supplies	(4,334)	(5,609)
Emission rights, net (Note 11)	(1,959)	(76)
Other operating expenses (Note 25)	(9,154)	(12,229)
thereof: Gain from settlement agreement with Republic of Albania (Note 7)	2,562	–
Total expenses	(163,711)	(171,298)
Income before other income (expenses) and income taxes	36,946	45,690
Other income (expenses):		
Interest on debt, net of capitalized interest (Note 2.8)	(3,650)	(4,565)
Interest on nuclear and other provisions (Note 2.24, 18 and 19)	(1,834)	(1,802)
Interest income (Note 26)	608	1,438
Foreign exchange rate gains (losses), net	(297)	1,070
Gain on sale and loss of control of subsidiaries and joint-ventures (Note 7)	73	4,750
Other income (expenses), net (Note 27)	(1,967)	(1,222)
Share of profit (loss) from joint-ventures (Note 2.2)	(1,223)	(953)
Total other income (expenses)	(8,290)	(1,284)
Income before income taxes	28,656	44,406
Income taxes (Note 28)	(6,224)	(9,199)
Net income	22,432	35,207
Net income attributable to:		
Equity holders of the parent	22,403	35,886
Non-controlling interests	29	(679)
Net income per share attributable to equity holders of the parent (CZK per share) (Note 31)		
Basic	41.9	67.2
Diluted	41.9	67.2

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

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, 2014

in CZK Millions

	2014	2013 (restated*)
Net income	22,432	35,207
Other comprehensive income – items that may be reclassified subsequently to statement of income:		
Change in fair value of cash flow hedges recognized in equity	4,891	(9,543)
Cash flow hedges reclassified from equity	(4,028)	(3,018)
Change in fair value of available-for-sale financial assets recognized in equity	(865)	(597)
Available-for-sale financial assets reclassified from equity	1,783	(77)
Translation differences	875	3,910
Translation differences reclassified from equity	14	229
Share on equity movements of joint-ventures	(121)	89
Deferred tax related to other comprehensive income (Note 28)	(389)	2,516
Net other comprehensive income that may be reclassified to statement of income in subsequent periods	2,160	(6,491)
Other comprehensive income – items not to be reclassified subsequently to statement of income:		
Re-measurement losses on defined benefit plans	(26)	(33)
Deferred tax related to other comprehensive income (Note 28)	3	1
Net other comprehensive income not to be reclassified to statement of income in subsequent periods	(23)	(32)
Other comprehensive income, net of tax	2,137	(6,523)
Total comprehensive income, net of tax	24,569	28,684
Total comprehensive income attributable to:		
Equity holders of the parent	24,498	29,004
Non-controlling interests	71	(320)

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

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

CEZ Group
Consolidated Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2014

in CZK Millions

	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, 2012, as previously reported	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Effect of adoption of IFRS 11 (Note 2.3.c)	–	–	–	–	5	(5)	–	(326)	(326)
January 1, 2013 restated *	53,799	(4,382)	(11,977)	1,506	1,807	209,482	250,235	3,658	253,893
Net income	–	–	–	–	–	35,886	35,886	(679)	35,207
Other comprehensive income	–	–	3,779	(10,177)	(542)	58	(6,882)	359	(6,523)
Total comprehensive income	–	–	3,779	(10,177)	(542)	35,944	29,004	(320)	28,684
Dividends	–	–	–	–	–	(21,294)	(21,294)	(4)	(21,298)
Share options	–	–	–	–	33	–	33	–	33
Transfer of forfeited share options within equity	–	–	–	–	(97)	97	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	49	49
Acquisition of non-controlling interests (Note 7)	–	–	–	–	–	–	–	(14)	(14)
Loss of control of subsidiary	–	–	–	–	–	–	–	1,341	1,341
Put options held by non-controlling interest	–	–	–	–	–	98	98	(20)	78
December 31, 2013 (restated *)	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 (Note 7)	–	–	–	–	–	–	–	15	15
Acquisition of non-controlling interests (Note 7)	–	–	–	–	–	(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

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

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, 2014

in CZK Millions

	2014	2013 (restated*)
OPERATING ACTIVITIES:		
Income before income taxes	28,656	44,406
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	27,871	28,400
Amortization of nuclear fuel	3,356	3,065
Gain on fixed asset retirements, net	(326)	(5,100)
Foreign exchange rate losses (gains), net	297	(1,070)
Interest expense, interest income and dividend income, net	2,240	2,783
Provision for nuclear decommissioning and fuel storage	(337)	(241)
Valuation allowances, other provisions and other adjustments	4,264	5,290
Share of (profit) loss from joint-ventures	1,223	953
Changes in assets and liabilities:		
Receivables	2,348	1,975
Materials and supplies	(480)	(614)
Fossil fuel stocks	1,061	1,519
Other current assets	448	3,079
Trade and other payables	11,387	(565)
Accrued liabilities	(1,195)	(39)
Cash generated from operations	80,813	83,841
Income taxes paid	(7,538)	(9,087)
Interest paid, net of capitalized interest	(3,677)	(4,304)
Interest received	516	1,408
Dividends received	806	344
Net cash provided by operating activities	70,920	72,202
INVESTING ACTIVITIES:		
Acquisition of subsidiaries and joint-ventures, net of cash acquired (Note 7)	(68)	(962)
Disposal of subsidiaries and joint-ventures, net of cash disposed of (Note 7)	101	4,126
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(35,798)	(45,626)
Proceeds from sale of fixed assets	1,381	3,456
Loans made	(33)	(1,008)
Repayment of loans	362	910
Change in restricted financial assets	(625)	(728)
Total cash used in investing activities	(34,680)	(39,832)
FINANCING ACTIVITIES:		
Proceeds from borrowings	80,769	69,044
Payments of borrowings	(100,076)	(74,763)
Proceeds from other long-term liabilities	119	1,796
Payments of other long-term liabilities	(368)	(478)
Dividends paid to Company's shareholders	(21,320)	(21,336)
Dividends paid to non-controlling interests	(229)	(4)
Total cash used in financing activities	(41,105)	(25,741)
Net effect of currency translation in cash	(43)	419
Net increase (decrease) in cash and cash equivalents	(4,908)	7,048
Cash and cash equivalents at beginning of period	25,003	17,955
Cash and cash equivalents at end of period	20,095	25,003
Supplementary cash flow information		
Total cash paid for interest	8,165	7,917

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

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

CEZ Group
Notes to Consolidated Financial Statements as of December 31, 2014

Content

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 69.8% (70.3% of voting rights) at December 31, 2014 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 Notes 2.2 and 8). ČEZ is an electricity generation company, which in 2014 produced approximately 57% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates fourteen 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, biomass, biogas) in the Czech Republic, two fossil fuel plants and two hydroelectric plants in Poland, one fossil fuel plant and one solar 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 26,248 and 26,682 in 2014 and 2013, 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 8.

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 2014

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, 2014:

- IAS 28 Investments in Associate and Joint-ventures (revised), effective January 1, 2014;
- IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities), effective January 1, 2014;
- IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets), effective January 1, 2014;
- IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting), effective January 1, 2014;
- IFRS 10 Consolidated Financial Statements, effective January 1, 2014;
- IFRS 11 Joint Arrangements, effective January 1, 2014;
- IFRS 12 Disclosure of Involvement with Other Entities, effective January 1, 2014;
- Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28);
- IFRIC 21 Levies, effective January 1, 2014.

The impact of the adoption of standards or interpretations on the financial statements or performance of the Group is described below:

IAS 28 Investments in Associate and Joint-ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint-ventures, and describes the application of the equity method to investments in joint-ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group. The Group has already been applying the equity method for investments in joint-ventures prior to the issue of this revised standard.

IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, International Accounting Standards Board ("IASB") issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment had no impact on the Group's financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonizes disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations;
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties;
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint-ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

– Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities);
– Exposure, or rights, to variable returns from its involvement with the investee; and
– The ability to use its power over the investee to affect the amount of the investor's returns.

This standard is effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The standard had no impact on the Group's financial statements, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint-ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

– Joint operation – An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
– Joint-venture – An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint-ventures are accounted for using the equity method. The option in IAS 31 to account for joint-ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint-venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The impact of the adoption of the standard IFRS 11 on the Group's financial statements is described in Note 2.3.c.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint-venture); provision of summarized financial information for each individually material joint-venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and affects the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint-ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint-ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint-ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint-ventures at fair value through profit or loss, will be retained. The standard had no effect on the consolidated financial statements as the parent company does not meet the definition of an investment entity.

IFRIC 21 Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The new interpretation had no impact on the Group.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2014 have no material impact on the Group's consolidated financial statements.

b. New IFRS Standards and 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, 2015 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 invoked, be subsequently measured at amortized cost if:
- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows; and
- 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 significant 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. The standard has not yet been endorsed by EU. 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. Since the Group is an existing IFRS preparer, this standard would not apply.

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, 2017 with early adoption permitted. The standard has not yet been endorsed by EU. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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.

The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The standard has not yet been endorsed by EU. These amendments are not expected to have a significant impact to the Group, but will 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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to 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 will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be 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 will remain 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 will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

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 Group does not expect the amendment will have a significant impact on its consolidated 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

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 for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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 amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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 Group will apply these improvements from January 1, 2015.

Annual Improvements to IFRSs 2011–2013

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 1 First-time Adoption of International Financial Reporting Standards
IFRS 3 Business Combinations
IFRS 13 Fair Value Measurement
IAS 40 Investment Property

The Group will apply these improvements from January 1, 2015.

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 improvements have not yet been endorsed by EU.

These changes will have no significant impact on the Group's consolidated financial statements.

c. Impact of Adoption of IFRS 11 Joint Arrangements

Certain numbers in the Statement of Income were reclassified in 2014 and the prior year figures were changed accordingly to provide comparative information on the same basis. The Group changed the way of presentation of expenses related to write-off of cancelled investments on the statement of income. The write-off of cancelled investments was moved from the line item Other operating expenses to line item of Impairment of property, plant and equipment and intangible assets including goodwill, which also affected EBITDA. The write-off of cancelled investments for the comparative period presented for 2013 amounted to CZK 46 million.

The following tables summarize the effect of application of IFRS 11 and reclassification of write-off of cancelled investments to basic items of the consolidated financial statements of CEZ Group (in CZK millions):

	2013 as previously reported	Effect of restatement	2013 restated	2012 as previously reported	Effect of restatement	Jan 1, 2013 restated
Total non-current assets	486,518	(586)	485,932	494,897	(170)	494,727
Total current assets	154,618	(156)	154,462	141,173	(77)	141,096
TOTAL ASSETS	641,136	(742)	640,394	636,070	(247)	635,823
Equity attributable to equity holders of the parent	258,076	–	258,076	250,235	–	250,235
Non-controlling interests	5,049	(359)	4,690	3,984	(326)	3,658
Long-term liabilities	239,071	(208)	238,863	241,080	(17)	241,063
Deferred tax liability	19,224	(23)	19,201	21,828	(18)	21,810
Total current liabilities	119,716	(152)	119,564	118,943	114	119,057
TOTAL EQUITY AND LIABILITIES	641,136	(742)	640,394	636,070	(247)	635,823

	2013 as previously reported	Effect of restatement	2013 restated
Total revenues	217,273	(285)	216,988
Impairment of plant, property and equipment and intangible assets including goodwill	(8,422)	(47)	(8,469)
Other operating expenses	(12,267)	38	(12,229)
Total expenses	(171,518)	220	(171,298)
Income before other income (expenses) and income taxes	45,755	(65)	45,690
Share of profit (loss) from joint-ventures	(981)	28	(953)
Total other income (expenses)	(1,315)	31	(1,284)
Income before income taxes	44,440	(34)	44,406
Net income	35,234	(27)	35,207
Net income attributable to:			
Equity holders of the parent	35,885	1	35,886
Non-controlling interests	(651)	(28)	(679)
EBITDA	82,054	(60)	81,994
Other comprehensive income, net of tax	(6,518)	(5)	(6,523)
Total comprehensive income, net of tax	28,716	(32)	28,684
Total comprehensive income attributable to:			
Equity holders of the parent	29,004	–	29,004
Non-controlling interests	(288)	(32)	(320)
Net cash provided by operating activities	72,556	(354)	72,202
Total cash used in investing activities	(40,273)	441	(39,832)
Total cash used in financing activities	(25,541)	(200)	(25,741)
Net increase in cash and cash equivalents	7,161	(113)	7,048

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.

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 to third parties 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. Amortization of nuclear fuel charged to fuel expense was CZK 3,356 million and CZK 3,065 million for the years ended December 31, 2014 and 2013, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 18). Such charges amounted to CZK 275 million and CZK 339 million in 2014 and 2013, respectively.

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 4,056 million and CZK 3,691 million and the interest capitalization rate in 2014 and 2013 was 4.5%.

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 and related accumulated depreciation of the disposed item or its replaced part are derecognized from the balances 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. 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	8–15

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 26,038 million and CZK 26,297 million for the years ended December 31, 2014 and 2013, which was equivalent to a composite depreciation rate of 4.1% and 4.3%, 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.

2.11. Intangible Assets, Net

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 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 531 million in 2014 and CZK 372 million in 2013.

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. 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. 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 owner 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 free of charge. 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 CO_2 actually emitted in previous year. If a company does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. In the Czech Republic the allocation of emission rights granted free of charge to an entity operating certain electricity generation facilities specified by the law was the subject to a gift tax in 2011 and 2012. As a result, granted emission rights, which were subject to the gift tax, are initially recognized at the amount of related gift tax as of the grant date. 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 amount of the gift tax on granted emission rights, which is charged to profit or loss as part of the charge of the provision, the eventual cost of emission rights sold or as part of the consumption of emission rights when the allowances are remitted from the register, is included in the line Other income (expenses), net.

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.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

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.

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 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 such 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 income (expenses), net.

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 under non-current financial assets 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.

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, 2014 and 2013 the provision for obsolescence amounted to CZK 524 million and CZK 459 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 income (expenses), net.

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 electricity, coal and gas 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, 2014 and 2013, 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 2014 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 income (expenses), net. 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 18).

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, 2014 and 2013 using a long-term real rate of interest of 1.75% per annum and 2.0% per annum, respectively, 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 nuclear plants. 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, 2014 and 2013 the estimate for the effect of inflation is 1.25% and 1.5%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín power plant and sixty-year period for Dukovany power plant 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 19). 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, 2014 and 2013 using a long-term real rate of interest of 1.75% per annum and 2.0% per annum, respectively, 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, 2014 and 2013 the estimate for the effect of inflation is 1.25% and 1.5%, respectively.

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 2014 and 2013 the expense recognized in respect of the share option plan amounted to CZK 26 million and CZK 33 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 available-for-sale equity securities 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, 2014 and 2013 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2014	2013
CZK per 1 EUR	27.725	27.425
CZK per 1 USD	22.834	19.894
CZK per 1 PLN	6.492	6.603
CZK per 1 BGN	14.193	14.023
CZK per 1 RON	6.185	6.135
CZK per 100 JPY	19.090	18.957
CZK per 1 TRY	9.789	9.275

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, 2014 and 2013 is as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total
Cost at January 1, 2013	247,651	401,360	7,375	656,386
Plant additions	8,789	11,876	150	20,815
Disposals	(865)	(1,509)	(71)	(2,445)
Reclassification to assets classified as held for sale	(3,905)	(7,213)	(38)	(11,156)
Acquisition of subsidiaries	265	63	71	399
Loss of control over subsidiary	(649)	(5,644)	(186)	(6,479)
Change in capitalized part of provisions	59	1,397	(451)	1,005
Reclassification and other	(25)	39	(8)	6
Currency translation differences	3,044	3,721	58	6,823
Cost at December 31, 2013	254,364	404,090	6,900	665,354
Plant additions	12,792	24,304	123	37,219
Disposals	(2,976)	(2,749)	(54)	(5,779)
Acquisition of subsidiaries	16	9	9	34
Loss of control over subsidiary	–	–	(1)	(1)
Change in capitalized part of provisions	289	3,542	170	4,001
Reclassification and other	(33)	23	(2)	(12)
Currency translation differences	262	233	5	500
Cost at December 31, 2014	264,714	429,452	7,150	701,316
Accumulated depreciation and impairment at January 1, 2013	(98,703)	(220,998)	(836)	(320,537)
Depreciation	(7,075)	(19,189)	(33)	(26,297)
Net book value of assets disposed	(268)	(51)	–	(319)
Disposals	865	1,509	3	2,377
Reclassification to assets classified as held for sale	2,899	6,842	–	9,741
Loss of control over subsidiary	153	1,985	–	2,138
Reclassification and other	(7)	(16)	–	(23)
Impairment losses recognized	(2,361)	(3,873)	(119)	(6,353)
Impairment losses reversed	202	205	–	407
Currency translation differences	(862)	(1,150)	(10)	(2,022)
Accumulated depreciation and impairment at December 31, 2013	(105,157)	(234,736)	(995)	(340,888)
Depreciation	(6,982)	(19,043)	(13)	(26,038)
Net book value of assets disposed	(605)	(62)	(1)	(668)
Disposals	2,976	2,749	7	5,732
Reclassification and other *	(389)	(1,532)	–	(1,921)
Impairment losses recognized	(1,992)	(5,646)	(22)	(7,660)
Impairment losses reversed	104	3	11	118
Currency translation differences	(101)	(87)	(2)	(190)
Accumulated depreciation and impairment at December 31, 2014	(112,146)	(258,354)	(1,015)	(371,515)
Net plant in service at December 31, 2013	149,207	169,354	5,905	324,466
Net plant in service at December 31, 2014	152,568	171,098	6,135	329,801

* CZK 1,905 million relates to impairment provision for Počerady gas power plant that was transferred from construction work in progress due to the plant's put into operation in 2014.

Group's plant in service pledged as security for liabilities at December 31, 2014 and 2013 is CZK 173 million and CZK 263 million, respectively.

Construction work in progress contains mainly refurbishments performed on Ledvice, Prunéřov, Dukovany and Temelín power plants and the electricity distribution network of subsidiary ČEZ Distribuce, a. s. It also contains costs of CZK 2,261 million for the preparation of construction of additional two units in nuclear power plant Temelín.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Restricted debt securities available-for-sale	14,820	12,334
Restricted cash	2,651	3,164
Total restricted financial assets	17,471	15,498
Financial assets in progress, net	4	130
Term deposits	10	–
Debt securities held-to-maturity	–	105
Debt securities available-for-sale	–	633
Equity securities available-for-sale	611	571
Investment in Dalkia	3,166	3,166
Investment in MOL	7,788	–
Derivatives	5,456	4,551
Long-term receivable from settlement with Albania (Note 7)	1,705	–
Other long-term receivables, net	137	1,092
Total	36,348	25,746

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enabled MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share and in 2009 the period over which MOL could reacquire the shares was extended until January 2014. The amount originally paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable (presented as Receivables, net as at December 31, 2013) together with a written put option (presented as Trade and other payables as at December 31, 2013). The call option to buy the MOL's shares was not exercised by MOL and the option period lapsed on January 23, 2014. Since this date, the investment in MOL is classified as available-for-sale investment with changes in fair value recorded in other comprehensive income. In 2014 the Group identified an impairment of CZK 1,828 million and the cumulative loss was reclassified from other comprehensive income and was recognized in the income statement in line item Other income (expenses), net.

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.

Movements in impairment provisions (in CZK millions)

	2014		2013	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	44	768	44	–
Additions	9	–	–	768
Derecognition of impaired fin. assets	–	(768)	–	–
Closing balance	53	–	44	768

Debt instruments at December 31, 2014 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables
Due in 2016	660
Due in 2017	585
Due in 2018	581
Due in 2019	3
Thereafter	13
Total	1,842

Debt instruments at December 31, 2013 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
Due in 2015	361	–	106
Due in 2016	114	–	186
Due in 2017	102	105	341
Due in 2018	101	–	–
Thereafter	414	–	–
Total	1,092	105	633

Debt instruments at December 31, 2014 have following effective interest rate structure (in CZK millions)

	Long-term receivables
Less than 2.00%	1,842
Total	1,842

Debt instruments at December 31, 2013 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
Less than 2.00%	150	–	186
From 2.00% to 2.99%	935	–	106
From 4.00% to 4.99%	–	105	341
From 5.00% to 5.99%	7	–	–
Total	1,092	105	633

The following table analyses the debt instruments at December 31, 2014 by currency (in CZK millions)

	Long-term receivables
CZK	117
EUR	1,721
Other	4
Total	1,842

The following table analyses the debt instruments at December 31, 2013 by currency (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
CZK	94	105	633
EUR	988	–	–
Other	10	–	–
Total	1,092	105	633

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2014 and 2013 are as follows (in CZK millions)

	Software	Rights and Other	Goodwill	Total 2014	Total 2013
Cost at January 1	11,289	11,561	9,513	32,363	31,861
Additions	1,085	797	–	1,882	878
Disposals	(121)	(83)	–	(204)	(445)
Reclassification to assets classified as held for sale	–	–	–	–	(15)
Acquisition of subsidiaries	–	–	33	33	8
Loss of control over subsidiary	–	(7)	–	(7)	(88)
Impairment of goodwill	–	–	(135)	(135)	(452)
Reclassification and other	1	–	–	1	(4)
Currency translation differences	1	(31)	1	(29)	620
Cost at December 31	12,255	12,237	9,412	33,904	32,363
Accumulated amortization and impairment at January 1	(8,722)	(3,646)	–	(12,368)	(10,976)
Amortization	(1,211)	(456)	–	(1,667)	(1,605)
Net book value of assets disposed	(4)	(44)	–	(48)	(40)
Disposals	121	83	–	204	445
Reclassification to assets classified as held for sale	–	–	–	–	15
Loss of control over subsidiary	–	–	–	–	71
Impairment losses recognized	(2)	(26)	–	(28)	(133)
Currency translation differences	–	13	–	13	(145)
Accumulated amortization and impairment at December 31	(9,818)	(4,076)	–	(13,894)	(12,368)
Net intangible assets at December 31	2,437	8,161	9,412	20,010	19,995

At December 31, 2014 and 2013, intangible assets presented in the balance sheet include intangible assets in progress of CZK 601 million and CZK 706 million, respectively.

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

At December 31, 2014 and 2013 goodwill allocated to cash-generating units is as follows (in CZK millions):

	2014	2013
Romanian distribution and sale	2,621	2,600
Czech distribution and sale	2,210	2,210
Energotrans	1,675	1,675
Polish power plants (ELCHO, Skawina)	1,273	1,295
ČEZ Teplárenská	727	727
Energetické centrum	261	396
TMK Hydroenergy Power	303	300
Other	342	310
Total carrying amount of goodwill	9,412	9,513

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2014 (in CZK millions):

	Impairment losses				Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	–	–	23	23	(13)	10
Bulgarian distribution and sale	–	26	713	739	–	739
Czech distribution and sale	–	–	1	1	(1)	–
Energetické centrum	135	–	–	135	–	135
Romanian wind power farms	–	2	6,591	6,593	–	6,593
TEC Varna	–	–	199	199	–	199
Polish power plants (ELCHO, Skawina)	–	–	9	9	–	9
Severočeské doly	–	–	11	11	(10)	1
ČEZ Korporátní služby	–	–	110	110	(73)	37
Other	–	–	337	337	(35)	302
Total	135	28	7,994	8,157	(132)	8,025

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2013 (in CZK millions):

	Impairment losses				Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	–	–	77	77	(62)	15
Bulgarian distribution and sale	–	89	2,273	2,362	–	2,362
Czech distribution and sale	–	–	24	24	(55)	(31)
CCGT Počerady	–	–	1,905	1,905	–	1,905
Teplárna Trmice	325	–	–	325	–	325
Energetické centrum	111	–	–	111	–	111
Romanian wind power farms	–	–	2,946	2,946	(5)	2,941
TEC Varna	–	5	617	622	–	622
Polish power plants (ELCHO, Skawina)	–	–	141	141	–	141
Severočeské doly	–	–	38	38	(211)	(173)
ČEZ Korporátní služby	–	–	123	123	(120)	3
Other	16	52	188	256	(8)	248
Total	452	146	8,332	8,930	(461)	8,469

In 2014 and 2013 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 2014 was caused mainly by the drop in market prices of green certificates while considering the outlook of the market of green certificates and with regard to new legislation of the construction tax in Romania. Recognized impairment of cash-generating unit Bulgarian distribution and sale in 2014 is caused mainly by updated outlook of electricity distribution regulation and subsequent decrease in expected revenues.

Recognized impairments in 2013 are mainly a result of the outlook for electricity distribution regulation and deterioration of current market conditions.

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 a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Polish power plants has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a period until the end of useful life of power plants and discount rate of 4.4%. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale, Energotrans and ČEZ Teplárenská. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 4.0%. Cash flows beyond the five-year period for Czech distribution and sale is based on the terminal value of regulatory asset base. No growth rate is considered for cash flows beyond five-year period for Energotrans and ČEZ Teplárenská. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Energetické centrum. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 4.0%. Cash flows beyond the five-year period are extrapolated using 1.5% growth rate. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances.

The value in use calculation was also used to calculate the recoverable amount of Romanian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 6.6%. Cash flows beyond the five-year period are based on the terminal value of regulatory asset base. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of TMK Hydroenergy Power has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 6.6%. There is no growth rate considered for cash flows beyond five-year period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian wind power farms. Those cash flow projections are based on financial budgets approved by management covering the period of expected useful life of wind farms, considering approved renewable energy support in the form of granted green certificates and a discount rate of 6.1%. The projection of the cash flows includes assumption of receiving two green certificates. Receiving of two green certificates is subject to approval of accreditation by Romanian government and subsequently by European Commission. The issuance of one of the two green certificates in the expected amount of 4.2 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 29.7 and expected growth rate is 2%. 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 80 million. Change of the discount rate by 1%, all other variables held constant, would result in change of value in use by approximately CZK 1,400 million.

The value in use calculation was also used to calculate the recoverable amount of Bulgarian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 5.9%. Cash flows beyond the five-year period do not consider any growth rate. Change of discount rate by 1%, all other variables held constant, would result in change of value in use by approximately CZK 1,700 million.

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 average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

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 forecast of market and regulatory environment, where subsidiaries conduct the business.

7. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 2014

On December 19, 2014, the Group acquired 75% interest in EVČ s.r.o., which specializes in engineering and construction of energy facilities including energy performance projects.

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

	EVČ
Share acquired in 2014	75%
Property, plant and equipment	35
Investments and other financial assets, net	38
Cash and cash equivalents	11
Receivables, net	74
Income tax receivable	2
Materials and supplies, net	7
Other financial assets, net	6
Other current assets	27
Other long-term liabilities	(32)
Deferred tax liability	(1)
Short-term loans	(34)
Trade and other payables	(41)
Accrued liabilities	(31)
Total net assets	61
Share of net assets acquired	46
Goodwill	33
Total purchase consideration	79
Less:	
Cash and cash equivalents in the subsidiary acquired	(11)
Cash outflow on acquisition of the subsidiary	68

If the combination had taken place at the beginning of the year 2014, the profit for CEZ Group as of December 31, 2014 would have been CZK 22,439 million and revenues from continuing operations would have been CZK 200,906 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2014

On July 30, 2014 the Group increased the ownership interest from 85% to 95% in the company Areál Třeboradice, a.s. 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	31
Amount directly recognized in equity	2
Total purchase consideration	33

The following table summarizes the cash flows related to acquisitions during 2014 (in CZK millions):

Investment in subsidiaries	79
Acquisitions of non-controlling interests	33
Change in payables from acquisitions	(33)
Less cash acquired	(11)
Total cash outflows on acquisitions	68

Acquisitions of subsidiaries from third parties in 2013

On June 28, 2013, the Group acquired 85% interest in Areál Třeboradice, a.s., which deals with the asset management of property mainly used as a reserve source of heat for Prague.

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

	Areál Třeboradice
Share acquired in 2013	85%
Property, plant and equipment	399
Intangible assets	1
Cash and cash equivalents	6
Receivables, net	1
Deferred tax liability	(72)
Trade and other payables	(11)
Total net assets	**324**
Share of net assets acquired	275
Goodwill	7
Total purchase consideration	**282**
Less:	
Cash and cash equivalents in the subsidiary acquired	(6)
Cash outflow on acquisition of the subsidiary	**276**

If the combination had taken place at the beginning of the year 2013, the profit for CEZ Group as of December 31, 2013 would have been CZK 35,194 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2013

On March 19, 2013 the Group decided to acquire the non-controlling interest in company SD - KOMES, a.s. through the squeeze-out transaction which increased the ownership interest from 92.65% to 100%.

The following table summarizes the critical terms of this transaction (in CZK millions):

	SD - KOMES
Acquired share of net assets derecognized from non-controlling interests	14
Amount directly recognized in equity	–
Total purchase consideration	**14**

The following table summarizes the cash flows related to acquisitions during 2013 (in CZK millions):

Investment in subsidiaries	282
Acquisitions of non-controlling interests	14
Change in payables from acquisitions	676
Received cash and cash equivalents previously used on acquisitions in progress	(4)
Less cash acquired	(6)
Total cash outflows on acquisitions	**962**

Loss of control of subsidiary CEZ Shpërndarje Sh.A.

In May 2009, ČEZ acquired a 76% shareholding in the sole Albanian distribution company CEZ Shpërndarje Sh.A. ("CEZ SH"). The remaining 24% was owned by the Albanian government.

On January 21, 2013 the Albanian regulator decided to revoke the CEZ SH's licenses for the distribution and sale of electricity to tariff customers and appointed the administrator of CEZ SH. As a result, the Group lost control of CEZ SH as of the same date. The administrator took control over the company including the decision making powers and responsibility for its operations. Both the rights of statutory bodies of CEZ SH and the ČEZ shareholder rights were transferred to the administrator.

In May 2013, the arbitration proceedings with the International Arbitration Tribunal for damage incurred due to its non-protected investment were formally initiated between ČEZ and the Republic of Albania. In 2014 a Settlement Agreement was signed with the Albanian state in the presence of a mediator from the Energy Community Secretariat in Vienna. The total amount of compensation for receivables and shares is EUR 95 million in favor of CEZ Group. Its discounted value of CZK 2,562 million was recorded in 2014 in the income statement (see Note 25). In 2014 the Company received EUR 10 million and the remaining amount will be received in four annual installments until 2018 and is guaranteed by reputable European bank. Upon the effective date of the Settlement Agreement, the Company transferred 76% share in CEZ SH back to Albanian state. At the same time, the arbitration proceedings were closed.

As a result of the loss of control, the Group has recognized the following items in 2013 (in CZK millions):

Derecognized balance sheet items:	
Plant in service	6,479
Less accumulated provision for depreciation	(2,138)
Net plant in service	**4,341**
Construction work in progress	77
Total property, plant and equipment	**4,418**
Intangible assets, net	26
Total non-current assets	**4,444**
Cash and cash equivalents	151
Receivables, net	2,699
Income tax receivable	396
Materials and supplies, net	64
Other current assets	456
Total current assets	**3,766**
TOTAL ASSETS	**8,210**
Long-term debt, net of current portion	2,114
Other long-term liabilities	2
Total long-term liabilities	**2,116**
Current portion of long-term debt	349
Trade and other payables	5,747
Accrued liabilities	4,253
Total current liabilities	**10,349**
TOTAL LIABILITIES	**12,465**
Net excess of derecognized liabilities over assets	**4,255**
Less:	
Non-controlling interest	(1,341)
Translation differences	(229)
Recognition of provision for issued guarantee	(900)
Gain from loss of control of CEZ Shpërndarje Sh.A.	**1,785**

Cash and cash equivalents of CZK 151 million disposed of in relation to loss of control were presented in the Statement of Cash Flows in the line item Disposal of subsidiaries and joint-ventures, net of cash disposed of.

Sale of subsidiary Elektrárna Chvaletice a.s.

In March 2013 ČEZ concluded an agreement to sell its 100% interest in the subsidiary Elektrárna Chvaletice a.s. which operates a coal fired power plant in East Bohemia. The sale transaction was realized on September 2, 2013.

As a result of the sale, the Group recorded the following items (in CZK millions):

Derecognized balance sheet items:	
Net plant in service	1,414
Other non-current assets	14
Cash and cash equivalents	172
Receivables, net	289
Other current assets	473
Long-term debt, net of current portion	(57)
Deferred tax liability	(171)
Trade and other payables	(48)
Accrued liabilities	(166)
Net assets derecognized from balance sheet	**1,920**
Effect of intercompany balances:	
Receivables, net	(180)
Trade and other payables	3,234
Accrued liabilities	11
Total cost of sale of the Group	**4,985**
Revenue on sale	7,950
Gain on sale	**2,965**

The following table summarizes the cash flows related to sale and loss of control of subsidiaries during 2013 (in CZK millions):

Current proceeds from the sale of the subsidiary Elektrárna Chvaletice a.s.	4,449
Cash disposed on sale	(172)
Cash disposed on loss of control	(151)
Total proceeds from disposal of subsidiaries	**4,126**

8. 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	
		2014	2013	2014	2013
Areál Třeboradice, a.s.	Czech Republic	95.00%	85.00%	95.00%	85.00%
A.E. Wind sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	75.00%	–	100.00%	–
Baltic Green VI sp. z o.o.	Poland	75.00%	–	100.00%	–
Baltic Green VII sp. z o.o.	Poland	75.00%	–	100.00%	–
Baltic Green VIII sp. z o.o.	Poland	75.00%	–	100.00%	–
Bara Group OOD	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 Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	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.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd.	Ireland	100.00%	100.00%	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 RUS OOO [1)]	Russia	–	100.00%	–	100.00%
CEZ Silesia B.V.	Netherlands	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 Albania Sh.P.K.	Albania	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 ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ESCO, a.s. [2)]	Czech Republic	100.00%	–	100.00%	–
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Inženýring, s.r.o. [2)]	Czech Republic	100.00%	–	100.00%	–
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Nová energetika, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
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%
ČEZ Recyklace, s.r.o. [2)]	Czech Republic	99.00%	–	99.00%	–
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 Etropol AD [3)]	Bulgaria	–	100.00%	–	100.00%
Eco-Wind Construction S.A.	Poland	75.00%	75.00%	75.00%	75.00%
Elektrárna Dětmarovice, 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 Počerady, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest*		% voting interest	
		2014	2013	2014	2013
Elektrownia Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
EVČ s.r.o.	Czech Republic	75.00%	–	75.00%	–
Farma Wiatrowa Leśce sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	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	75.00%	75.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
NERS d.o.o. 4)	Bosnia and Herzegovina	–	51.00%	–	51.00%
Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. 5)	Albania	–	76.00%	–	–
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PPC Úžín, a.s. 6)	Czech Republic	–	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%
SD - KOMES, a.s. 7)	Czech Republic	–	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	Cyprus	100.00%	100.00%	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.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Joint-ventures	Country of incorporation	% equity interest*		% voting interest	
		2014	2013	2014	2013
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Aken B.V. in liquidation 8)	Netherlands	–	37.36%	–	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%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	37.36%	37.36%	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%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	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.	Slovakia	49.00%	49.00%	50.00%	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	51.05%	51.05%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
MOL - CEZ European Power Hungary Ltd. 9)	Hungary	–	50.00%	–	50.00%
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) The company CEZ RUS OOO was liquidated on October 30, 2014.
2) The company was newly established in 2014.
3) The interest in the company ECO Etropol AD was sold on September 5, 2014.
4) The interest in the company NERS d.o.o. was sold on December 30, 2014.
5) The former company name CEZ Shpërndarje Sh.A. was changed to Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. in July 2014. The interest in the company was sold on October 16, 2014 (see Note 7).
6) The company merged with the succession company ČEZ, a. s. with the effective date of January 1, 2014.
7) The company merged with the succession company PRODECO, a.s. with the effective date of January 1, 2014.
8) The company Aken B.V. in liquidation was liquidated on September 18, 2014.
9) The interest in the company MOL - CEZ European Power Hungary Ltd. was sold on October 31, 2014.

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):

	2014		2013	
	Non-controlling	Dividends paid	Non-controlling interests	Dividends paid
CEZ Razpredelenie Bulgaria AD	3,367	223	3,667	–
ÚJV Řež, a. s.	692	–	672	–
CEZ Elektro Bulgaria AD	374	–	255	–
Other	110	6	96	4
Total	4,543	229	4,690	4

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2014 (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	11,240	1,662	56
Non-current assets	1,354	814	4,467
Current liabilities	(708)	(510)	(128)
Non-current liabilities	(1,634)	(513)	(3,261)
Equity	10,252	1,453	1,134
Attributable to:			
Equity holders of parent	6,885	761	760
Non-controlling interests	3,367	692	374
Revenues	5,056	1,223	20,130
Expenses	(5,482)	(1,164)	(19,747)
Other income (expenses)	(8)	(14)	3
Income before income taxes	(434)	45	386
Income taxes	84	(2)	(37)
Net income (loss)	(350)	43	349
Attributable to:			
Equity holders of parent	(234)	23	234
Non-controlling interests	(116)	20	115
Total comprehensive income	(228)	42	361
Attributable to:			
Equity holders of parent	(151)	22	242
Non-controlling interests	(77)	20	119
Operating cash flow	300	130	283
Investing cash flow	(639)	(141)	–
Financing cash flow	(783)	10	(7)
Net effect of currency translation in cash	8	–	9
Net increase (decrease) in cash and cash equivalents	(1,114)	(1)	285

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2013 (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	11,943	1,712	90
Non-current assets	2,532	806	3,340
Current liabilities	(938)	(482)	(134)
Non-current liabilities	(2,285)	(625)	(2,524)
Equity	11,252	1,411	772
Attributable to:			
Equity holders of parent	7,585	739	517
Non-controlling interests	3,667	672	255
Revenues	8,021	1,453	18,820
Expenses	(10,082)	(1,381)	(19,066)
Other income (expenses)	5	(6)	4
Income before income taxes	(2,056)	66	(242)
Income taxes	200	(26)	24
Net income (loss)	(1,856)	40	(218)
Attributable to:			
Equity holders of parent	(1,244)	21	(146)
Non-controlling interests	(612)	19	(72)
Total comprehensive income	(897)	41	(146)
Attributable to:			
Equity holders of parent	(620)	21	(98)
Non-controlling interests	(277)	20	(48)
Operating cash flow	1,686	172	(694)
Investing cash flow	(1,505)	(208)	–
Financing cash flow	(278)	(46)	(8)
Net effect of currency translation in cash	72	9	68
Net increase (decrease) in cash and cash equivalents	(25)	(73)	(634)

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, 2014 (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.	2,778	–	(367)	108	(259)
Sakarya Elektrik Dagitim A.S.	65	–	67	(28)	39
Sakarya Elektrik Perakende Satis A.S.	80	–	281	50	331
Total Akcez Group	2,923	–	(19)	130	111
Akenerji Elektrik Üretim A.S.	6,012	–	(315)	249	(66)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	(349)	–	(24)	52	28
Egemer Elektrik Üretim A.S.	(1,128)	–	(678)	(95)	(773)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	(260)	–	(59)	30	(29)
Other subsidiaries of Akenerji Group	(116)	–	(119)	14	(105)
Total Akenerji Group	4,159	–	(1,195)	250	(945)
CM European Power International B.V.	646	–	(24)	27	3
CM European Power Slovakia s.r.o.	873	2	50	(9)	41
Jadrová energetická spoločnosť Slovenska, a. s.	2,981	–	(63)	14	(49)
ČEZ Energo, s.r.o.	494	–	34	4	38
Other	201	3	(6)	6	–
Total	12,277	5	(1,223)	422	(801)

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, 2013 (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.	2,907	–	(610)	(311)	(921)
Sakarya Elektrik Dagitim A.S.	27	–	(96)	73	(23)
Sakarya Elektrik Perakende Satis A.S.	(122)	–	368	(60)	308
Total Akcez Group	2,812	–	(338)	(298)	(636)
Akenerji Elektrik Üretim A.S.	5,996	–	16	(660)	(644)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	(378)	–	(98)	(74)	(172)
Egemer Elektrik Üretim A.S.	(355)	–	(299)	59	(240)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	(231)	–	(139)	5	(134)
Other subsidiaries of Akenerji Group	(10)	–	19	(51)	(32)
Total Akenerji Group	5,022	–	(501)	(721)	(1,222)
CM European Power International B.V.	876	–	5	77	82
CM European Power Slovakia s.r.o.	812	–	165	87	252
Jadrová energetická spoločnosť Slovenska, a. s.	3,012	–	(55)	253	198
ČEZ Energo, s.r.o.	456	–	28	4	32
Other	9	–	(257)	9	(248)
Total	12,999	–	(953)	(589)	(1,542)

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 tables present summarized financial information of material joint-ventures for the year ended December 31, 2014 (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.	819	236	9,440	1,041	5,357	3,861	3,861	1,931	847	2,778
Sakarya Elektrik Dagitim A.S.	1,147	30	6,670	3,157	1,626	3,034	130	65	–	65
Sakarya Elektrik Perakende Satis A.S.	5,295	1,644	161	2,523	1,047	1,886	160	80	–	80
Total Akcez Group							4,151	2,076	847	2,923
Akenerji Elektrik Üretim A.S.	1,249	728	22,490	3,649	7,245	12,845	12,845	4,799	1,213	6,012
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	516	4	4,547	521	1,541	3,001	(934)	(349)	–	(349)
Egemer Elektrik Üretim A.S.	2,609	549	14,181	1,940	13,052	1,798	(3,019)	(1,128)	–	(1,128)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	471	27	2,635	473	916	1,717	(696)	(260)	–	(260)
Other subsidiaries of Akenerji Group							(311)	(116)	–	(116)
Total Akenerji Group							7,885	2,946	1,213	4,159
CM European Power International B.V.	1,070	13	640	418	–	1,292	1,292	646	–	646
CM European Power Slovakia s.r.o.	5,095	121	147	627	2,251	2,364	1,746	873	–	873
Jadrová energetická spoločnosť Slovenska, a. s.	2,190	2,171	3,914	18	2	6,084	6,084	2,981	–	2,981
ČEZ Energo, s.r.o.	205	44	1,178	206	381	796	796	398	96	494

	Revenues	Depreciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	241	–	88	(295)	–	(476)	217	(259)
Sakarya Elektrik Dagitim A.S.	3,964	(168)	52	(132)	(97)	134	200	334
Sakarya Elektrik Perakende Satis A.S.	14,659	–	226	(52)	(134)	561	101	662
Akenerji Elektrik Üretim A.S.	2,954	(381)	93	(730)	(51)	(772)	674	(98)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	275	(160)	6	(51)	12	(63)	162	99
Egemer Elektrik Üretim A.S.	3,416	(490)	11	(432)	160	(1,814)	96	(1,718)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	175	(88)	15	(88)	(16)	(158)	92	(66)
CM European Power International B.V.	–	–	24	–	(5)	(475)	16	(459)
CM European Power Slovakia s.r.o.	2,363	–	389	(67)	(100)	99	25	124
Jadrová energetická spoločnosť Slovenska, a. s.	21	(31)	23	(16)	(5)	(128)	66	(62)
ČEZ Energo, s.r.o.	704	(77)	2	(8)	(10)	67	10	77

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2013 (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.	1,087	209	8,937	675	5,229	4,120	4,120	2,060	847	2,907
Sakarya Elektrik Dagitim A.S.	1,366	208	6,185	2,902	1,895	2,754	54	27	–	27
Sakarya Elektrik Perakende Satis A.S.	4,250	1,498	212	2,420	567	1,475	(244)	(122)	–	(122)
Total Akcez Group							3,930	1,965	847	2,812
Akenerji Elektrik Üretim A.S.	4,252	1,940	18,473	1,884	7,906	12,935	12,935	4,833	1,163	5,996
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	504	15	4,475	1449	628	2,902	(1,012)	(378)	–	(378)
Egemer Elektrik Üretim A.S.	3,248	115	11,694	2,070	9,356	3,516	(950)	(355)	–	(355)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	444	98	2,594	723	2,243	72	(618)	(231)	–	(231)
Other subsidiaries of Akenerji Group							(26)	(10)	–	(10)
Total Akenerji Group							10,329	3,859	1,163	5,022
CM European Power International B.V.	1,688	3	870	807	–	1,751	1,751	876	–	876
CM European Power Slovakia s.r.o.	5,512	163	114	593	2,790	2,243	1,624	812	–	812
Jadrová energetická spoločnosť Slovenska, a. s.	2,305	2,294	3,853	9	3	6,146	6,146	3,012	–	3,012
ČEZ Energo, s.r.o.	273	115	946	269	231	719	719	360	96	456

	Revenues	Depreciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other comprehensive income	Total comprehensive income
Akcez Enerji A.S.	120	–	61	(256)	–	(45)	(621)	(666)
Sakarya Elektrik Dagitim A.S.	5,913	(251)	199	(187)	(44)	(192)	(621)	(813)
Sakarya Elektrik Perakende Satis A.S.	16,026	–	199	(10)	(182)	736	(120)	616
Akenerji Elektrik Üretim A.S.	3,516	(467)	283	(499)	(20)	238	(1,893)	(1,655)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	739	(174)	–	(130)	103	(263)	(257)	(520)
Egemer Elektrik Üretim A.S.	–	–	3	(2)	200	(801)	163	(638)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	393	(94)	11	(170)	77	(374)	(21)	(395)
CM European Power International B.V.	–	–	27	–	(5)	(273)	154	(119)
CM European Power Slovakia s.r.o.	6,002	–	188	(26)	(138)	330	174	504
Jadrová energetická spoločnosť Slovenska, a. s.	22	(26)	15	–	(5)	(112)	512	400
ČEZ Energo, s.r.o.	622	(42)	2	(4)	(6)	55	9	64

9. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Cash on hand and current accounts with banks	13,015	11,465
Short-term securities	907	856
Term deposits	6,173	12,682
Total	20,095	25,003

At December 31, 2014 and 2013, cash and cash equivalents included foreign currency deposits of CZK 2,423 million and CZK 5,811 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2014 and 2013 was 0.5% and 0.8%, respectively. For the years 2014 and 2013 the weighted average interest rate was 0.6% and 1.0%, respectively.

10. Receivables, Net

The composition of receivables, net, at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Unbilled electricity supplied to retail customers	6,328	8,583
Received advances from retail customers	(4,256)	(7,005)
Unbilled supplies to retail customers, net	2,072	1,578
Trade receivables	44,819	48,086
Taxes and fees, excluding income taxes	2,097	3,084
Investment in MOL (see Note 4)	–	15,458
Other receivables	7,873	6,498
Allowance for doubtful receivables	(5,997)	(7,219)
Total	50,864	67,485

The information about receivables from related parties is included in Note 29.

At December 31, 2014 and 2013, the ageing analysis of receivables, net is as follows (in CZK millions)

	2014	2013
Not past due	49,318	64,556
Past due but not impaired: [1]		
Less than 3 months	864	1,675
3–6 months	145	737
6–12 months	282	399
more than 12 months	255	118
Total	50,864	67,485

[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)

	2014	2013
Opening balance	7,219	15,186
Additions	2,205	4,290
Reversals	(3,475)	(3,082)
Acquisition of subsidiaries	18	–
Loss of control over subsidiary	(1)	(9,590)
Currency translation differences	31	415
Closing balance	5,997	7,219

11. 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 2014 and 2013 (in CZK millions):

	2014		2013	
	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	24,371	6,584	60,281	9,374
Emission rights granted	35,532	–	326	–
Disposal of subsidiary	–	–	(1,776)	(143)
Settlement of prior year actual emissions with register	(29,010)	(3,422)	(30,440)	(2,341)
Emission rights purchased	3,650	644	2,492	268
Emission rights sold	(5,403)	(99)	(10,036)	(796)
Emission credits purchased	2,427	3	3,524	191
Currency translation differences	–	(6)	–	31
Granted and purchased emission rights and credits at December 31	31,567	3,704	24,371	6,584
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	4,045	424	12,647	819
Settlement of prior year actual emissions with register	–	–	(4,571)	(23)
Emission rights purchased	1,002	141	817	236
Emission rights sold	–	–	(4,853)	(588)
Emission credits purchased	517	2	10	–
Emission credits sold	(522)	(2)	(5)	–
Fair value adjustment	–	452	–	(20)
Emission rights and credits held for trading at December 31	5,042	1,017	4,045	424

During 2014 and 2013 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 27,514 thousand tons and 30,787 thousand tons of CO_2, respectively. At December 31, 2014 and 2013 the Group recognized a provision for CO_2 emissions in total amount of CZK 4,525 million and CZK 3,920 million, respectively (see Notes 2.13 and 22).

At December 31, 2014 and 2013 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 376 million and CZK 1,497 million, respectively.

The allocation of 2013 granted emission rights for companies in the Czech Republic in an equivalent of 18,784 thousand tons was approved by the European Union in January 2014 and this allocation was reflected when creating the provision for CO_2 emissions at December 31, 2013.

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, 2014 and 2013 (in CZK millions):

	2014	2013
Gain on sales of granted emission rights	1,067	1,281
Net gain from trading with emission rights and credits	–	346
Gain on green and similar certificates	934	1,045
Net gain (loss) from derivatives	(388)	710
Creation of provisions for emission rights	(4,459)	(3,480)
Settlement of provisions for emission rights	3,857	1,116
Remitted emission rights and credits	(3,422)	(1,074)
Fair value adjustment	452	(20)
Net loss related to emission rights, emission credits and green and similar certificates	(1,959)	(76)

The expense related to the gift tax on granted emission rights is included in the line Other income (expenses), net (see Notes 2.13 and 27).

12. Other Financial Assets, Net

Other financial assets, net, at December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Debt securities held-to-maturity and term deposits	14,672	16,627
Debt securities available-for-sale	–	49
Equity securities available-for-sale	2,112	278
Equity securities held for trading	6	–
Derivatives	22,648	21,446
Total	39,438	38,400

Derivatives balance comprises mainly the positive fair values of commodity trading contracts. Equity securities available-for-sale balance includes investments in money market fund.

Short-term debt securities at December 31, 2014 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity and term deposits
Less than 2.00%	14,672
Total	14,672

Short-term debt securities at December 31, 2013 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity and term deposits	Debt securities available-for-sale
Less than 2.00%	16,627	49
Total	16,627	49

ČEZ, a. s. concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts ČEZ, a. s. has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option can be exercised in 2016 for cash consideration of CZK 8.5 billion less CZK 0.4 billion per each block of the power plant not modernized. Second option can be exercised in 2024 for cash consideration of CZK 2 billion. 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 no similar power plant in the Czech Republic for sale and also no similar transaction took place. There is also significant variability in the range of reasonable fair values for this equity instrument and it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put options will be measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

13. Other Current Assets

The composition of other current assets at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Advances paid	2,026	2,265
Prepayments	1,273	1,133
Total	3,299	3,398

14. Equity

As at December 31, 2014, 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.

There were no changes in number of treasury shares in 2014 and 2013. Treasury shares remaining at end of period (3,875,021 pieces at December 31, 2014 and 2013) are presented at cost as a deduction from equity.

Declared dividends per share were CZK 40 in 2014 and CZK 40 in 2013. Dividends from 2014 profit will be declared on the general meeting, which will be held in the first half of 2015.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains current credit rating and 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 of the Group, the goal is to keep this ratio below 2.3. 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 composition of EBITDA changed compared to prior year presentation. This year's EBITDA does not include the amount of write-off of cancelled investments (see Note 2.3.c). Prior year figures were amended accordingly.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2014	2013
Total long-term debt	176,526	196,300
Total short-term loans	7,608	2,716
Total debt	184,134	199,016
Less:		
Cash and cash equivalents	(20,095)	(25,003)
Highly liquid financial assets:		
Short-term equity securities available-for-sale (Note 12)	(2,112)	(278)
Short-term debt securities available-for-sale (Note 12)	–	(49)
Short-term debt securities held-to-maturity and term deposits (Note 12)	(14,672)	(16,627)
Long-term deposits (Note 4)	(10)	–
Long-term debt securities available-for-sale (Note 4)	–	(633)
Total net debt	147,245	156,426
Income before income taxes and other income (expenses)	36,946	45,690
Depreciation and amortization	27,705	27,902
Impairment of property, plant and equipment and intangible assets including goodwill	8,025	8,469
Gain on sale of property, plant and equipment (Note 25)	(178)	(67)
EBITDA	72,498	81,994
Total equity attributable to equity holders of the parent	261,308	258,076
Total debt	184,134	199,016
Total capital	445,442	457,092
Net debt to EBITDA ratio	2.03	1.91
Total debt to total capital ratio	41.3%	43.5%

15. Long-term Debt

Long-term debt at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
6.000% Eurobonds, due 2014 (EUR 600 million)	–	16,421
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,283	2,267
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	42	39
5.750% Eurobonds, due 2015 (EUR 460 million) [1)]	12,749	16,408
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,523	1,512
5.000% Eurobonds, due 2021 (EUR 750 million)	20,715	20,480
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,380	1,364
3M Euribor + 0.36% Eurobonds, due 2014 (EUR 150 million)	–	4,114
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,219	–
4.875% Eurobonds, due 2025 (EUR 750 million)	20,701	20,469
4.500% Eurobonds, due 2020 (EUR 750 million)	20,633	20,381
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,195	2,180
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million) [2)]	9,397	13,653
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,773	2,742
4.102% Eurobonds, due 2021 (EUR 50 million)	1,382	1,366
4.250% U.S. bonds, due 2022 (USD 700 million)	15,847	13,790
5,625% U.S. bonds, due 2042 (USD 300 million)	6,775	5,900
4.375% Eurobonds, due 2042 (EUR 50 million)	1,358	1,343
4.500% Eurobonds, due 2047 (EUR 50 million)	1,358	1,343
4.383% Eurobonds, due 2047 (EUR 80 million)	2,218	2,194
3.000% Eurobonds, due 2028 (EUR 500 million)	13,655	13,492
4.500% registered bonds, due 2030 (EUR 40 million)	1,086	1,072
4.750% registered bonds, due 2023 (EUR 40 million)	1,096	1,083
4.700% registered bonds, due 2032 (EUR 40 million)	1,102	1,090
4.270% registered bonds, due 2047 (EUR 61 million)	1,662	1,643
3.550% registered bonds, due 2038 (EUR 30 million)	828	819
9.220% Debentures, due 2014 (CZK 2,500 million) [3)]	–	2,500
Exchangeable bonds, due 2017 (EUR 470.2 million) [4)]	12,560	–
Total bonds and debentures	157,785	170,913
Less: Current portion	(12,749)	(23,035)
Bonds and debentures, net of current portion	145,036	147,878
Long-term bank and other loans:		
Less than 2.00% p. a.	18,266	24,811
2.00% to 2.99% p. a.	471	568
3.00% to 3.99% p. a.	4	8
Total long-term bank and other loans	18,741	25,387
Less: Current portion	(2,925)	(5,069)
Long-term bank and other loans, net of current portion	15,816	20,318
Total long-term debt	176,526	196,300
Less: Current portion	(15,674)	(28,104)
Total long-term debt, net of current portion	160,852	168,196

[1)] In April 2014, the original nominal value of the issue (EUR 600 million) was reduced by bought back own bonds at a nominal value of EUR 140 million.
[2)] In April 2014, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 160 million.
[3)] Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2013 was 5.6%.
[4)] Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC (see Note 4). The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43%.

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)

	2014	2013
Current portion	15,674	28,104
Between 1 and 2 years	11,518	19,394
Between 2 and 3 years	15,845	16,627
Between 3 and 4 years	2,010	2,815
Between 4 and 5 years	3,390	2,764
Thereafter	128,089	126,596
Total long-term debt	176,526	196,300

The following table analyses the long-term debt by currency (in millions)

	2014		2013	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,271	146,134	6,063	166,270
USD	991	22,622	990	19,690
JPY	31,435	6,001	31,434	5,959
BGN	33	471	41	568
CZK	–	1,298	–	3,813
Total long-term debt		176,526		196,300

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 repricing dates at December 31, 2014 and 2013 without considering interest rate hedging (in CZK millions):

	2014	2013
Floating rate long-term debt		
with interest rate fixed for 1 month	–	39
with interest rate fixed from 1 to 3 months	1,265	7,011
with interest rate fixed from 3 months to 1 year	19,567	25,731
with interest rate fixed more than 1 year	471	568
Total floating rate long-term debt	21,303	33,349
Fixed rate long-term debt	155,223	162,951
Total long-term debt	176,526	196,300

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 16 and Note 17.

16. 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, 2014 and 2013 are as follows (in CZK millions)

	Category	2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
ASSETS:					
Investments:					
Restricted debt securities available-for-sale	AFS	14,820	14,820	12,334	12,334
Restricted cash	LaR	2,651	2,651	3,164	3,164
Financial assets in progress	LaR	4	4	130	130
Term deposits	LaR	10	10	–	–
Debt securities held-to-maturity	HTM	–	–	105	118
Debt securities available-for-sale	AFS	–	–	633	633
Equity securities available-for-sale *	AFS	9,900	9,900	607	607
Long-term receivables	LaR	1,842	1,842	1,092	1,092
Current assets:					
Receivables	LaR	48,767	48,767	64,401	64,401
Cash and cash equivalents	LaR	20,095	20,095	25,003	25,003
Debt securities held-to-maturity and term deposits	HTM	14,672	14,672	16,627	16,627
Equity securities held for trading	HFT	6	6	–	–
Debt securities available-for-sale	AFS	–	–	49	49
Equity securities available-for-sale	AFS	2,112	2,112	278	278
Other current assets	LaR	2,026	2,026	2,265	2,265
LIABILITIES:					
Long-term debt	AC	(176,526)	(200,746)	(196,300)	(209,280)
Short-term loans	AC	(7,608)	(7,608)	(2,716)	(2,716)
Accounts payable	AC	(44,068)	(44,068)	(43,328)	(43,328)
DERIVATIVES:					
Cash flow hedges:					
Short-term receivables	HFT	211	211	6	6
Long-term receivables	HFT	4,519	4,519	3,933	3,933
Short-term liabilities	HFT	(173)	(173)	(84)	(84)
Long-term liabilities	HFT	(3,464)	(3,464)	(4,799)	(4,799)
Total cash flow hedges		1,093	1,093	(944)	(944)
Electricity, coal and gas trading contracts:					
Short-term receivables	HFT	21,038	21,038	19,639	19,639
Short-term liabilities	HFT	(15,327)	(15,327)	(14,020)	(14,020)
Total electricity, coal and gas trading contracts		5,711	5,711	5,619	5,619
Other derivatives:					
Short-term receivables	HFT	1,399	1,399	1,801	1,801
Long-term receivables	HFT	937	937	618	618
Short-term liabilities	HFT	(763)	(763)	(5,865)	(5,865)
Long-term liabilities	HFT	(2,386)	(2,386)	(1,501)	(1,501)
Total other derivatives		(813)	(813)	(4,947)	(4,947)

* 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

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 2014 and 2013.

As at December 31, 2014, the fair value hierarchy was the following (in CZK millions)

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	21,038	1,144	19,894	–
Cash flow hedges	4,730	996	3,734	–
Other derivatives	2,336	367	1,969	–
Equity securities held for trading	6	6	–	–
Available-for-sale restricted debt securities	14,820	14,820	–	–
Available-for-sale equity securities *	9,900	9,900	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(15,327)	(2,190)	(13,137)	–
Cash flow hedges	(3,637)	(110)	(3,527)	–
Other derivatives	(3,149)	(95)	(3,054)	–

Assets and liabilities for which fair values are disclosed

	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity and term deposits	14,682	–	14,682	–
Long-term debt	(200,746)	(154,073)	(46,673)	–

As at December 31, 2013, the fair value hierarchy was the following (in CZK millions)

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	19,639	245	19,394	–
Cash flow hedges	3,939	141	3,798	–
Other derivatives	2,419	322	2,097	–
Available-for-sale restricted debt securities	12,334	12,334	–	–
Available-for-sale debt securities	682	682	–	–
Available-for-sale equity securities *	607	607	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(14,020)	(58)	(13,962)	–
Cash flow hedges	(4,883)	(332)	(4,551)	–
Other derivatives	(7,366)	(66)	(7,300)	–

Assets and liabilities for which fair values are disclosed

	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity and term deposits	16,745	–	16,745	–
Long-term debt	(209,280)	(152,643)	(56,637)	–

* Some of the available-for-sale equity securities 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.

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, 2014 and 2013 (in CZK millions):

	2014		2013	
	Financial asset	Financial liability	Financial asset	Financial liability
Derivatives	28,104	(22,113)	25,997	(26,269)
Other financial instruments *	24,593	(19,944)	25,076	(19,538)
Collaterals paid (received) * *	3,345	(2,117)	3,137	(400)
Gross financial assets / liabilities	56,042	(44,174)	54,210	(46,207)
Assets / liabilities set off under IAS 32	–	–	–	–
Amounts presented in the balance sheet	56,042	(44,174)	54,210	(46,207)
Effect of master netting agreement	(38,577)	38,577	(35,932)	35,932
Net amount after master netting agreement	17,465	(5,597)	18,278	(10,275)

* 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 10 and 21.

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.

17. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental 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.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps 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 and revenues 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.

Since 2009 the main Business Plan market risks are quantified (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 an integrated 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).

17.1. 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 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, 2014 and 2013 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.

17.2. Quantitative 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) or Monte-Carlo VaR for the commodity options which expresses a potential change 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);
- 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.

Potential impact of the above risk factors as at December 31 (in CZK millions)

	2014	2013
Monthly VaR (95%) – impact of changes in commodity prices	721	673

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 parametric VaR (95% confidence);
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series;
- the relevant currency position is defined as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs expected in 2015 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.

Potential impact of the currency risk as at December 31 (in CZK millions)

	2014	2013
Monthly currency VaR (95% confidence)	833	1,289

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 P/L 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)

	2014	2013
IR sensitivity* to parallel yield curve shift (+10bp)	(7)	(16)

* 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 parametric 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.

Potential impact of the stock price risk as at December 31 (in CZK millions)

	2014	2013
Monthly stock VaR (95% confidence)	1,016	1,027

Maximum credit exposure from provided guarantees at December 31 (in CZK millions)

	2014	2013
Guarantees provided to joint-ventures	*3,073	3,648

* Some of the guarantees could be called until August 2021 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2014 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*	Guarantees issued**
Due in 2015	10,673	19,136	44,168	329,327	3,073
Due in 2016	2,231	15,049	282	54,418	–
Due in 2017	2,152	19,090	15	14,206	–
Due in 2018	2,082	5,306	–	7,442	–
Due in 2019	2,068	6,686	1,750	3,965	–
Thereafter	7,799	156,915	–	70,057	–
Total	27,005	222,182	46,215	479,415	3,073

Contractual maturity profile of financial liabilities at December 31, 2013 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*	Guarantees issued**
Due in 2014	7,586	30,835	43,416	326,257	3,648
Due in 2015	3,046	23,295	1,952	58,288	–
Due in 2016	3,022	19,605	106	21,028	–
Due in 2017	2,854	5,488	11	5,326	–
Due in 2018	2,798	5,488	–	5,726	–
Thereafter	8,939	163,809	–	69,611	–
Total	28,245	248,520	45,485	486,236	3,648

* 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 16.

** 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, 2014 and 2013 amounted to CZK 24.4 billion and CZK 27.0 billion, respectively.

17.3. 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 2015 to 2019. The hedging instruments as at December 31, 2014 and 2013 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.8 billion and EUR 5.0 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (1,749) million and CZK (4,550) million at December 31, 2014 and 2013, respectively.

The Group enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in the period from 2015 to 2016. The hedging instruments as at December 31, 2014 and 2013 are the futures contracts for the purchase of allowances equivalent to 13.1 million tons and 12.5 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK 513 million and CZK (273) million at December 31, 2014 and 2013, respectively.

The Group also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2015 to 2020. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK 2,329 million and CZK 3,880 million at December 31, 2014 and 2013, respectively.

In 2014 and 2013 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 electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2014 and 2013 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 197 million and CZK (126) million, respectively. The ineffectiveness in 2014 and 2013 mainly relates to transactions for which the hedged items are no more highly probable to occur.

18. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

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, currently 2027 for Dukovany and approximately 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 Investments and other 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 was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2014 and 2013, the payments to the nuclear account amounted to CZK 1,516 million and CZK 1,537 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, 2014 and 2013 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2012	12,038	6,794	23,583	42,415
Movements during 2013:				
Discount accretion and effect of inflation	421	238	825	1,484
Provision charged to income statement	–	460	–	460
Effect of change in estimate charged to income statement	–	249	–	249
Effect of change in estimate added to fixed assets (Note 2.24)	1,295	–	19	1,314
Current cash expenditures	(8)	(550)	(1,537)	(2,095)
Balance at December 31, 2013	13,746	7,191	22,890	43,827
Movements during 2014:				
Discount accretion and effect of inflation	481	252	801	1,534
Provision charged to income statement	–	472	–	472
Effect of change in estimate charged to income statement	–	156	–	156
Effect of change in estimate added to fixed assets (Note 2.24)	2,582	–	954	3,536
Current cash expenditures	(1)	(706)	(1,516)	(2,223)
Balance at December 31, 2014	16,808	7,365	23,129	47,302

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 2014 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and change in discount rate and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants and change in discount rate.

In 2013 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

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.

19. Other Long-term Liabilities

Other long-term liabilities at December 31, 2014 and 2013 are as follows (in CZK millions)

	2014	2013
Provision for decommissioning and reclamation of mines and mining damages	6,749	6,561
Provision for waste storage reclamation	1,574	1,518
Other long-term provisions	1,545	1,393
Deferred connection fees	5,510	6,131
Derivatives	5,850	6,300
Other	4,689	4,937
Total	25,917	26,840

The following table shows the movements of provisions for the years ended December 31, 2014 and 2013 (in CZK millions):

	Mine reclamation and damages	Waste storage
Balance at December 31, 2012	6,915	1,739
Movements during 2013:		
Discount accretion and effect of inflation	234	56
Provision charged to income statement	86	–
Effect of change in estimate deducted from fixed assets (Note 2.25)	(451)	(73)
Disposal of subsidiary	–	(21)
Reversal of provision	–	(140)
Current cash expenditures	(223)	(43)
Balance at December 31, 2013	6,561	1,518
Movements during 2014:		
Discount accretion and effect of inflation	219	53
Provision charged to income statement	102	–
Effect of change in estimate added to fixed assets (Note 2.25)	170	93
Current cash expenditures	(303)	(90)
Balance at December 31, 2014	6,749	1,574

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 an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. 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.

20. Short-term Loans

Short-term loans at December 31, 2014 and 2013 are as follows (in CZK millions)

	2014	2013
Short-term bank loans	7,466	1,965
Short-term debentures	–	274
Bank overdrafts	142	477
Total	7,608	2,716

Interest on short-term loans is variable. The weighted average interest rate was 0.3% and 0.6% at December 31, 2014 and 2013, respectively. For the years 2014 and 2013 the weighted average interest rate was 1.2% and 1.9%, respectively.

21. Trade and Other Payables

Trade and other payables at December 31, 2014 and 2013 are as follows (in CZK millions)

	2014	2013
Advances received from retail customers	15,360	14,457
Unbilled electricity supplied to retail customers	(9,888)	(10,329)
Received advances from retail customers, net	5,472	4,128
Trade payables	33,518	36,041
Fair value of option (see Note 4)	70	5,238
Derivatives	16,193	14,731
Other	5,078	3,159
Total	60,331	63,297

The information about payables to related parties is included in Note 29.

22. Accrued Liabilities

Accrued liabilities at December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Provision for CO_2 emissions	4,525	3,920
Other provisions	2,537	2,023
Accrued interest	2,958	3,740
Taxes and fees, except income tax	2,176	1,803
Unbilled goods and services	10,145	11,329
Contingent liabilities from acquisitions	–	89
Deferred variation margin on “own use” electricity futures	217	436
Deferred income	221	281
Other	117	107
Total	22,896	23,728

Deferred variation margin represents the net variation margin paid to or by energy exchange POWER EXCHANGE CENTRAL EUROPE, a.s. in respect of the electricity future contracts treated as own use, which will be delivered after the balance sheet date.

23. Revenues

The composition of revenues for the years ended December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Sales of electricity and related services:		
Sales of electricity to end customers	52,229	52,560
Sales of electricity through energy exchange	3,365	2,036
Sales of electricity to traders	34,134	38,170
Sales to distribution and transmission companies	159	743
Other sales of electricity	15,626	17,189
Effect of hedging (see Note 17.3)	1,267	2,627
Sales of ancillary, system, distribution and other services	67,039	76,031
Total sales of electricity and related services	173,819	189,356
Electricity, coal and gas derivative trading:		
Sales	214,813	215,233
Purchases	(207,247)	(207,948)
Effect of hedging (see Note 17.3)	(270)	13
Changes in fair value of commodity derivatives	(4,435)	(5,719)
Total gains and losses from electricity, coal and gas derivative trading, net	2,861	1,579
Sales of gas, coal, heat and other revenues:		
Sales of gas	6,306	7,421
Sales of coal	4,484	4,931
Sales of heat	6,059	6,656
Other	7,128	7,045
Total sales of gas, coal, heat and other revenues	23,977	26,053
Total revenues	200,657	216,988

In 2014 the line item Total gains and losses from electricity, coal and gas derivative trading, net also includes CZK 1,952 million for the termination of contract with Crédit Agricole Corporate and Investment Bank.

24. Salaries and Wages

Salaries and wages for the years ended December 31, 2014 and 2013 were as follows (in CZK millions)

	2014		2013	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages including remuneration of the board members and royalties	(13,142)	(296)	(13,090)	(291)
Share options	(26)	(26)	(33)	(33)
Social and health security	(4,166)	(48)	(4,177)	(47)
Other personal expenses	(1,518)	(43)	(1,398)	(25)
Total	(18,852)	(413)	(18,698)	(396)

[1)] Key management personnel represent members of Supervisory Board, Audit Committee and Board of Directors of the parent company, Chief Executive Officer, divisional directors and selected managers of departments of the parent company with group field of activity. The remuneration of former members of company bodies is also included in personal expenses.

At December 31, 2014 and 2013, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,575 thousand and 2,388 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 beneficent 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 2014 and 2013 the Company recognized a compensation expense of CZK 26 million and CZK 33 million, respectively, related to the granted options.

The following table shows changes during 2014 and 2013 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors ('000s)	Selected managers ('000s)	Total ('000s)	Weighted average exercise price (CZK per share)
Share options at December 31, 2012	1,657	786	2,443	852.85
Options granted	550	295	845	559.43
Options forfeited	(585)	(315)	(900)	970.06
Share options at December 31, 2013 [1)]	1,622	766	2,388	704.84
Options granted	610	177	787	586.77
Movements	(120)	120	–	764.34
Options forfeited	(285)	(315)	(600)	814.75
Share options at December 31, 2014 [1)]	1,827	748	2,575	643.14

[1)] At December 31, 2014 and 2013 the number of exercisable options was 1,128 thousand and 947 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 737.24 per share and CZK 809.74 per share at December 31, 2014 and 2013, 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:

	2014	2013
Weighted average assumptions:		
Dividend yield	4.6%	6.7%
Expected volatility	23.2%	22.4%
Mid-term risk-free interest rate	0.5%	0.8%
Expected life (years)	1.4	1.4
Share price (CZK per share)	571.2	549.7
Weighted average grant-date fair value of options (CZK per 1 option)	42.3	37.5

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, 2014 and 2013 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2014	2013
CZK 450–600 per share	1,000	650
CZK 600–800 per share	1,445	1,233
CZK 800–950 per share	130	505
Total	2,575	2,388

The options granted which were outstanding as at December 31, 2014 and 2013 had an average remaining contractual life of 1.8 years and 1.9 years, respectively.

25. Other Operating Expenses

Other operating expenses for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Services	(12,065)	(12,395)
Travel expenses	(189)	(206)
Gain on sale of property, plant and equipment	178	67
Gain on sale of material	90	209
Capitalization of expenses to the cost of assets and change in own inventory	3,752	4,952
Fines, penalties and penalty interest, net	986	873
Change in provisions and valuation allowances	1,260	1,764
Taxes and fees	(3,024)	(3,054)
Write-off of bad debts	(448)	(2,132)
Gifts	(350)	(408)
Gain from settlement agreement with Republic of Albania (Note 7)	2,562	–
Other, net	(1,906)	(1,899)
Total	(9,154)	(12,229)

Taxes and fees include the contributions to the nuclear account (see Note 18). 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.

26. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Loans and receivables	112	796
Held-to-maturity investments	87	139
Available-for-sale investments	262	292
Bank accounts	147	211
Total	608	1,438

27. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Derivative losses, net	(362)	(1,333)
Gains on sales of available-for-sale financial assets	79	405
Change in impairment of financial investments	(49)	(130)
Gift tax on emission allowances	(99)	(179)
Impairment of MOL shares (Note 4)	(1,828)	–
Other, net	292	15
Total	(1,967)	(1,222)

28. 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 2014 and 2013. The Czech corporate income tax rate enacted for 2015 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)

	2014	2013
Current income tax charge	(6,100)	(9,454)
Adjustments in respect of current income tax of previous periods	1	21
Deferred income taxes	(125)	234
Total	(6,224)	(9,199)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2014	2013
Income before income taxes	28,656	44,406
Statutory income tax rate in Czech Republic	19%	19%
"Expected" income tax expense	(5,445)	(8,437)
Tax effect of:		
Change in tax rates and laws	(184)	(67)
Gain (loss) from derivatives	8	(265)
Non-deductible impairment of AFS investment	(366)	–
Non-deductible expenses related to shareholdings	(23)	(27)
Goodwill and other non-current assets impairment	(26)	(549)
Other non-deductible items, net	(582)	(738)
Non-taxable income from settlement agreement with Republic of Albania	454	–
Non-deductible share based payment expense	(5)	(6)
Gift tax on emission allowances	–	(34)
Profit (loss) from joint-ventures	(245)	(185)
Income already taxed or exempt	268	347
Tax credits	11	12
Gain on sale and loss of control over subsidiary	14	902
Adjustments in respect of current income tax of previous periods	1	21
Effect of different tax rate in other countries	(109)	(253)
Change in unrecorded deferred tax asset	5	80
Income taxes	(6,224)	(9,199)
Effective tax rate	22%	21%

Deferred income taxes, net, at December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Accumulated provision for nuclear decommissioning and spent fuel storage	7,424	6,847
Financial statement depreciation in excess of tax depreciation	878	318
Revaluation of financial instruments	1,882	2,039
Allowances	1,038	1,162
Other provisions	2,549	2,292
Tax loss carry forwards	407	220
Other temporary differences	598	556
Unrecorded deferred tax asset	(65)	(70)
Total deferred tax assets	14,711	13,364
Tax depreciation in excess of financial statement depreciation	(30,819)	(29,517)
Revaluation of financial instruments	(497)	(247)
Other provisions	(674)	(805)
Penalty receivables	(246)	(165)
Other temporary differences	(1,346)	(1,007)
Total deferred tax liability	(33,582)	(31,741)
Total deferred tax liability, net	(18,871)	(18,377)
Reflected in the balance sheet as follows:		
Deferred tax assets	1,738	824
Deferred tax liability	(20,609)	(19,201)
Total deferred tax liability, net	(18,871)	(18,377)

Movements in net deferred tax liability, net, in 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Opening balance	18,377	21,060
Deferred tax recognized in profit or loss	125	(233)
Deferred tax charged directly to equity	386	(2,517)
Sale of subsidiaries	–	(171)
Acquisition of subsidiaries	1	72
Currency translation differences	(18)	166
Closing balance	18,871	18,377

At December 31, 2014 and 2013 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 35,888 million and CZK 42,433 million, respectively.

Tax effects relating to each component of other comprehensive income (in CZK millions)

	2014			2013		
	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	4,891	(929)	3,962	(9,543)	1,810	(7,733)
Cash flow hedges reclassified from equity	(4,028)	765	(3,263)	(3,018)	574	(2,444)
Change in fair value of available-for-sale financial assets recognized in equity	(865)	(236)	(1,101)	(597)	113	(484)
Available-for-sale financial assets reclassified from equity	1,783	11	1,794	(77)	19	(58)
Translation differences	875	–	875	3,910	–	3,910
Translation differences reclassified from equity	14	–	14	229	–	229
Share on equity movements of joint-ventures	(121)	–	(121)	89	–	89
Re-measurement losses on defined benefit plans	(26)	3	(23)	(33)	1	(32)
Total	2,523	(386)	2,137	(9,040)	2,517	(6,523)

29. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2014 and 2013, the receivables from related parties and payables to related parties are as follows (in CZK millions)

	Receivables		Payables	
	2014	2013	2014	2013
Akcez Enerji A.S.	119	104	–	–
Akenerji Elektrik Üretim A.S.	6	19	–	–
CM European Power International B.V.	199	401	–	–
CM European Power Slovakia s.r.o.	507	642	–	–
ČEZ Energo, s.r.o.	22	107	12	12
LOMY MOŘINA spol. s r.o.	–	3	21	23
SINIT,a.s.	7	1	4	10
Ústav aplikované mechaniky Brno, s.r.o.	1	4	9	15
Others	43	32	69	55
Total	904	1,313	115	115

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	
	2014	2013	2014	2013
Akcez Enerji A.S.	42	32	–	–
Akenerji Elektrik Üretim A.S.	44	70	–	–
ČEZ Energo, s.r.o.	62	304	29	31
in PROJEKT LOUNY ENGINEERING s.r.o.	33	30	23	45
LOMY MOŘINA spol. s r.o.	26	31	187	179
OSC, a.s.	–	–	128	99
SINIT,a.s.	5	5	29	87
Ústav aplikované mechaniky Brno, s.r.o.	2	7	32	40
Others	151	120	101	75
Total	365	599	529	556

Information about compensation of key management personnel is included in Note 24.

30. Segment Information

The Group reports its result based on operating segments which are defined with respect to geographical location of the assets with similar economic environment and characteristics, e.g. similar long-term average gross margins, similar nature of the products and services and with regard to regulatory environment.

According to geographical location, the Group distinguishes the following two regions that in combination with products and services form the reportable segments: Central Europe (CE) and South East Europe (SEE). The Central Europe region includes the Czech Republic, the Netherlands, Poland, Germany, Hungary, Ireland and Slovakia except for the Dutch company Aken B.V. in liquidation which is included in the South East Europe region. The South East Europe region consists of the operations of the Group in Bulgaria, Romania, Turkey, Albania, Cyprus, Serbia, Kosovo, Bosnia and Herzegovina, Russia and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe region.

According to nature of the products and services the Group distinguishes four categories as follows:
(1) The power production and trading which includes production of electricity and heat and the commodity trading activities of the Group,
(2) The distribution and sale which sells electricity to end customers through the power distribution grid and provides power distribution services,
(3) The mining that produces coal and limestone used by the power production business operations or sold to third parties, and
(4) The other business activities.

The Group has seven reportable segments as a result of the combination of geographical location and nature of products and services as follows:
- Power Production and Trading / Central Europe,
- Distribution and Sale / Central Europe,
- Mining / Central Europe,
- Other / Central Europe,
- Power Production and Trading / South East Europe,
- Distribution and Sale / South East Europe,
- Other / South East Europe.

The accounting policies of the operating segments are the same as those described in Note 2. 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 EBITDA (see Note 14).

The following tables summarize segment information by operating segments for the years ended December 31, 2014 and 2013 (in CZK millions):

Year 2014

	Power Production and Trading CE	Distri-bution and Sale CE	Mining CE	Other CE	Power Produc-tion and Trading SEE	Distri-bution and Sale SEE	Other SEE	Combi-ned	Elimina-tion	Consoli-dated
Sales other than intersegment sales	57,093	100,059	4,700	2,687	1,500	34,594	24	200,657	–	200,657
Intersegment sales	35,775	4,888	5,415	29,350	1,307	447	2,142	79,324	(79,324)	–
Total revenues	**92,868**	**104,947**	**10,115**	**32,037**	**2,807**	**35,041**	**2,166**	**279,981**	**(79,324)**	**200,657**
EBITDA	39,523	19,290	4,163	4,666	606	3,869	84	72,201	297	72,498
Depreciation and amortization	(16,300)	(3,834)	(2,313)	(2,146)	(1,257)	(1,784)	(71)	(27,705)	–	(27,705)
Impairment of property, plant and equipment and intangible assets including goodwill	(443)	–	(1)	(38)	(6,794)	(749)	–	(8,025)	–	(8,025)
EBIT	22,792	15,463	1,856	2,621	(7,444)	1,347	14	36,649	297	36,946
Interest on debt and provisions	(5,253)	(401)	(224)	(20)	(568)	(20)	(23)	(6,509)	1,025	(5,484)
Interest income	1,263	14	259	9	9	60	19	1,633	(1,025)	608
Share of profit (loss) from joint-ventures	(15)	–	6	–	(1,195)	(19)	–	(1,223)	–	(1,223)
Income taxes	(3,222)	(2,798)	(352)	(559)	899	(132)	(3)	(6,167)	(57)	(6,224)
Net income	27,604	12,266	2,168	2,048	(8,406)	1,235	46	36,961	(14,529)	22,432
Identifiable assets	271,636	80,211	21,267	10,102	20,840	24,052	100	428,208	(1,666)	426,542
Investment in joint-ventures	5,005	–	190	–	4,159	2,923	–	12,277	–	12,277
Unallocated assets										189,051
Total assets										627,870
Capital expenditure	21,122	7,712	2,474	14,522	60	1,813	673	48,376	(13,964)	34,412
Average number of employees	7,205	1,500	2,950	9,171	360	3,923	1,139	26,248	–	26,248

Year 2013

	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	63,338	112,644	5,145	2,804	1,025	32,006	26	216,988	–	216,988
Intersegment sales	43,148	3,980	6,466	39,354	1,725	770	2,475	97,918	(97,918)	–
Total revenues	**106,486**	**116,624**	**11,611**	**42,158**	**2,750**	**32,776**	**2,501**	**314,906**	**(97,918)**	**216,988**
EBITDA	46,770	19,502	5,095	5,357	2,021	2,968	155	81,868	126	81,994
Depreciation and amortization	(16,454)	(3,620)	(2,431)	(2,094)	(1,438)	(1,796)	(69)	(27,902)	–	(27,902)
Impairment of property, plant and equipment and intangible assets including goodwill	(2,630)	31	174	(75)	(3,572)	(2,378)	(19)	(8,469)	–	(8,469)
EBIT	27,699	15,919	2,951	3,256	(2,989)	(1,188)	67	45,715	(25)	45,690
Interest on debt and provisions	(6,215)	(389)	(239)	(20)	(582)	(30)	(47)	(7,522)	1,155	(6,367)
Interest income	2,159	8	257	9	19	104	37	2,593	(1,155)	1,438
Gain on loss of control over subsidiary	–	–	–	–	–	1,785	–	1,785	–	1,785
Share of profit (loss) from joint-ventures	(116)	–	2	–	(501)	(338)	–	(953)	–	(953)
Income taxes	(5,077)	(2,846)	(594)	(700)	36	(8)	(17)	(9,206)	7	(9,199)
Net income	31,076	12,717	2,933	2,590	(4,529)	336	53	45,176	(9,969)	35,207
Identifiable assets	266,638	76,444	20,962	11,066	28,405	24,530	103	428,148	(2,486)	425,662
Investment in joint-ventures	4,978	–	187	–	5,022	2,812	–	12,999	–	12,999
Unallocated assets										201,733
Total assets										640,394
Capital expenditure	28,574	7,693	2,438	23,029	556	2,961	1,071	66,322	(22,736)	43,586
Average number of employees	7,420	1,476	3,257	8,929	443	3,998	1,159	26,682	–	26,682

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues according to the location of the entity where the revenues are originated (in CZK million):

	2014	2013
Czech Republic	152,716	173,214
Bulgaria	24,295	22,165
Romania	11,809	11,097
Poland	4,285	3,965
Other	7,552	6,547
Total revenues	200,657	216,988

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2014 and 2013 (in CZK million):

	2014	2013
Czech Republic	372,707	363,341
Bulgaria	11,379	12,348
Romania	33,612	40,685
Poland	8,843	9,283
Other	1	5
Total property, plant and equipment	426,542	425,662

31. Net Income per Share

	2014	2013
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	22,403	35,886
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,115	534,115
Dilutive effect of share options	64	7
Diluted:		
Adjusted weighted average shares	534,179	534,122
Net income per share (CZK per share)		
Basic	41.9	67.2
Diluted	41.9	67.2

32. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2014 to total CZK 144.0 billion over the next five years, as follows: CZK 37.9 billion in 2015, CZK 28.4 billion in 2016, CZK 25.7 billion in 2017, CZK 25.5 billion in 2018 and CZK 26.5 billion in 2019. 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, 2014 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 has obtained all insurance policies with minimal limits as required by the law. 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 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.

Contingent Liabilities

The Company has a dispute with Sokolovská uhelná, právní nástupce, a.s. related to the quantity and price of coal supplied to the Company. In relation to this dispute there are proceedings with Specialized Tax Office and Anti-trust Office under way. Although the management believes the outflow of resources embodying economic benefits is not probable, the final outcome of these proceedings cannot be anticipated.

In 2012 Romanian company Electrica S.A. started the arbitration proceedings against the Company with the International Arbitration Tribunal for the deemed breach of privatization agreement from April 5, 2005 and claims the compensation of EUR 81.6 million. Based on this agreement the Company acquired a share in former subsidiary of the claimant Electrica Oltenia S.A. The Company considers the claim as ungrounded and in its response in October 2013 suggested to reject the claim. It is expected the arbitration proceedings will come to an end during first half of 2015. The final outcome of these proceedings cannot be anticipated.

These consolidated financial statements have been authorized for issue on March 2, 2015.

Daniel Beneš
Chairman of Board of Directors

Martin Novák
Vice-chairman of Board of Directors

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Independent Auditor's Report

To the Shareholders of ČEZ, a. s.:

We have audited the accompanying financial statements of ČEZ, a. s. which comprise the balance sheet as at December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of ČEZ, a. s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young Audit, s.r.o.
License No. 401

Martin Skácelík, Auditor
License No. 2119

March 2, 2015
Prague, Czech Republic

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.

ČEZ, a. s.
Balance Sheet in Accordance with IFRS as of December 31, 2014

in CZK Millions

ASSETS	2014	2013
Property, plant and equipment:		
Plant in service	344,246	319,081
Less accumulated provision for depreciation	(196,333)	(182,282)
Net plant in service (Note 3)	147,913	136,799
Nuclear fuel, at amortized cost	10,898	10,627
Construction work in progress (Note 3)	81,913	86,512
Total property, plant and equipment	240,724	233,938
Other non-current assets:		
Investments and other financial assets, net (Note 4)	188,388	192,512
Intangible assets, net (Note 5)	668	572
Total other non-current assets	189,056	193,084
Total non-current assets	429,780	427,022
Current assets:		
Cash and cash equivalents (Note 6)	9,511	14,166
Receivables, net (Note 7)	46,757	56,480
Income tax receivable	1,404	807
Materials and supplies, net	5,519	4,535
Fossil fuel stocks	561	593
Emission rights (Note 8)	4,175	7,300
Other financial assets, net (Note 9)	38,359	37,206
Other current assets (Note 10)	1,117	1,148
Total current assets	107,403	122,235
TOTAL ASSETS	537,183	549,257

EQUITY AND LIABILITIES	2014	2013
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	156,715	155,826
Total equity (Note 11)	206,132	205,243
Long-term liabilities:		
Long-term debt, net of current portion (Note 12)	143,316	162,746
Accumulated provision for nuclear decommissioning and fuel storage (Note 15)	47,087	43,641
Other long-term liabilities (Note 16)	10,009	10,321
Total long-term liabilities	200,412	216,708
Deferred tax liability (Note 25)	9,624	8,744
Current liabilities:		
Short-term loans (Note 17)	7,433	2,230
Current portion of long-term debt (Note 12)	15,092	24,713
Trade and other payables (Note 18)	84,479	78,844
Accrued liabilities (Note 19)	14,011	12,775
Total current liabilities	121,015	118,562
TOTAL EQUITY AND LIABILITIES	537,183	549,257

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, 2014

in CZK Millions

	2014	2013
Revenues:		
Sales of electricity	72,132	89,487
Gains and losses from electricity, coal and gas derivative trading, net	2,692	1,592
Sales of gas, heat and other revenues	9,882	10,565
Total revenues (Note 20)	84,706	101,644
Operating expenses:		
Fuel	(10,175)	(10,818)
Purchased power and related services	(26,162)	(35,231)
Repairs and maintenance	(2,979)	(3,242)
Depreciation and amortization	(13,527)	(13,358)
Impairment of property, plant and equipment and intangible assets	(297)	(2,474)
Salaries and wages (Note 21)	(6,087)	(6,071)
Materials and supplies	(1,400)	(1,500)
Emission rights, net (Note 8)	(3,090)	(1,104)
Other operating expenses (Note 22)	(5,162)	(7,751)
thereof: Gain from settlement agreement with Republic of Albania (Note 4.1)	2,562	–
Total expenses	(68,879)	(81,549)
Income before other income (expenses) and income taxes	15,827	20,095
Other income (expenses):		
Interest on debt, net of capitalized interest	(3,722)	(4,865)
Interest on nuclear and other provisions	(1,574)	(1,523)
Interest income (Note 23)	1,442	1,928
Foreign exchange rate gains (losses), net	(192)	1,068
Gain on sale of subsidiaries, associates and joint-ventures	24	5,212
Other income (expenses), net (Note 24)	10,883	7,747
Total other income (expenses)	6,861	9,567
Income before income taxes	22,688	29,662
Income taxes (Note 25)	(1,778)	(3,289)
Net income	20,910	26,373
Net income per share (CZK per share) (Note 28)		
Basic	39.1	49.4
Diluted	39.1	49.4

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, 2014

in CZK Millions

	2014	2013
Net income	20,910	26,373
Other comprehensive income – items that may be reclassified subsequently to statement of income:		
Change in fair value of cash flow hedges recognized in equity	4,889	(9,483)
Cash flow hedges reclassified from equity	(4,045)	(3,059)
Change in fair value of available-for-sale financial assets recognized in equity	711	(410)
Deferred tax relating to other comprehensive income (Note 25)	(295)	2,461
Other comprehensive income, net of tax	1,260	(10,491)
Total comprehensive income	22,170	15,882

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

ČEZ, a. s.
Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2014

in CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
December 31, 2012	53,799	(4,382)	1,467	1,168	158,859	210,911
Net income	–	–	–	–	26,373	26,373
Other comprehensive income	–	–	(10,159)	(332)	–	(10,491)
Total comprehensive income	–	–	(10,159)	(332)	26,373	15,882
Effect of merger	–	–	–	–	(289)	(289)
Dividends	–	–	–	–	(21,294)	(21,294)
Share options	–	–	–	33	–	33
Transfer of forfeited share options within equity	–	–	–	(97)	97	–
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

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, 2014

in CZK Millions

	2014	2013
OPERATING ACTIVITIES:		
Income before income taxes	22,688	29,662
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,527	13,365
Amortization of nuclear fuel	3,349	3,065
Gain on fixed asset retirements, net	(116)	(5,315)
Foreign exchange rate losses (gains), net	192	(1,068)
Interest expense, interest income and dividend income, net	(18,417)	(11,360)
Provision for nuclear decommissioning and fuel storage	(342)	(239)
Valuation allowances, other provisions and other adjustments	4,936	6,118
Changes in assets and liabilities:		
Receivables	(1,469)	1,886
Materials and supplies	(987)	(457)
Fossil fuel stocks	32	478
Other current assets	455	1,417
Trade and other payables	13,361	(2,247)
Accrued liabilities	1,320	(4,580)
Cash generated from operations	38,529	30,725
Income taxes paid	(1,791)	(3,317)
Interest paid, net of capitalized interest	(3,901)	(4,582)
Interest received	1,384	1,888
Dividends received	20,701	14,296
Net cash provided by operating activities	54,922	39,010
INVESTING ACTIVITIES:		
Acquisition of subsidiaries, associates and joint-ventures	(1,103)	(729)
Proceeds from disposal of subsidiaries, associates and joint-ventures	102	4,449
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(22,096)	(29,127)
Proceeds from sale of fixed assets	52	1,300
Loans made	(1,503)	(7,769)
Repayment of loans	13,032	5,623
Change in restricted financial assets	(632)	(755)
Total cash used in investing activities	(12,148)	(27,008)
FINANCING ACTIVITIES:		
Proceeds from borrowings	66,610	47,618
Payments of borrowings	(95,107)	(46,119)
Proceeds from other long-term liabilities	–	1,750
Payments of other long-term liabilities	(114)	(86)
Change in payables/receivables from group cashpooling	2,544	11,382
Dividends paid	(21,320)	(21,336)
Net cash used in financing activities	(47,387)	(6,791)
Net effect of currency translation in cash	(42)	140
Net increase (decrease) in cash and cash equivalents	(4,655)	5,351
Cash and cash equivalents at beginning of period	14,166	8,815
Cash and cash equivalents at end of period	9,511	14,166
Supplementary cash flow information		
Total cash paid for interest	8,310	8,004

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

ČEZ, a. s.
Notes to the Financial Statements as of December 31, 2014

Content

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 5,525 and 5,437 in 2014 and 2013, 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, 2014. 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).

Certain numbers in the Statement of Income were reclassified in 2014 and the prior year figures were changed accordingly to provide comparative information on the same basis. The Company changed the way of presentation of expenses related to write-off of cancelled investments on the statement of income. The write-off of cancelled investments was moved from the line item Other operating expenses to line item of Impairment of property, plant and equipment and intangible assets. The write-off of cancelled investments for the comparative period presented for 2013 amounted to CZK 7 million.

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on March 2, 2015.

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2014

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, 2014:

- IAS 28 Investments in Associate and Joint-ventures (revised), effective January 1, 2014;
- IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities), effective January 1, 2014;
- IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets), effective January 1, 2014;
- IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting), effective January 1, 2014;
- IFRS 10 Consolidated Financial Statements, effective January 1, 2014;
- IFRS 11 Joint Arrangements, effective January 1, 2014;
- IFRS 12 Disclosure of Involvement with Other Entities, effective January 1, 2014;
- Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28);
- IFRIC 21 Levies, effective January 1, 2014.

The impact of the adoption of standards or interpretations on the financial statements or performance of the Company is described below:

IAS 28 Investments in Associate and Joint-ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint-ventures, and describes the application of the equity method to investments in joint-ventures in addition to associates. The amendment does not have an impact on the separate financial statement of the Company.

IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, International Accounting Standards Board (IASB) issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment had no impact on the Company's financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonizes disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Company's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations;
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties;
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Company's financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint-ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:
- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard is effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The standard had no impact on the Company's separate financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint-ventures and SIC 13 Jointly-controlled Entities – Non-monetary Contributions by Ventures.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:
- Joint operation – An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint-venture – An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint-ventures are accounted for using the equity method. The option in IAS 31 to account for joint-ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint-venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The standard had no impact on the Company's separate financial statements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint-venture); provision of summarized financial information for each individually material joint-venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and affects the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint-ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint-ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint-ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint-ventures at fair value through profit or loss, will be retained. The standard had no impact on the Company's separate financial statements.

IFRIC 21 Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The new interpretation had no impact on the Company's separate financial statements.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2014 have no material impact on the Company's financial statements.

2.2.2. New IFRS Standards and 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, 2015 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 invoked, be subsequently measured at amortized cost if:
- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows; and
- 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 significant 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. The standard has not yet been endorsed by EU. 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. Since the Company is an existing IFRS preparer, this standard would not apply.

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, 2017 with early adoption permitted. The standard has not yet been endorsed by EU. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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.

The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The standard has not yet been endorsed by EU. These amendments are not expected to have a significant impact to the Company, but will 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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company 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 will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be 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 will remain 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 will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

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 Company does not expect the amendment will have a significant impact on its 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on 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 and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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 amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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 Company will apply these improvements from January 1, 2015.

Annual Improvements to IFRSs 2011–2013

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 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

The Company will apply these improvements from January 1, 2015.

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 improvements have not yet been endorsed by EU.

These changes will have no significant impact on the Company's financial statements.

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.

2.4. Revenues

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 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. Amortization of nuclear fuel charged to fuel expense was CZK 3,349 million and CZK 3,065 million for the years ended December 31, 2014 and 2013, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 15). Such charges amounted to CZK 275 million and CZK 339 million in 2014 and 2013, respectively.

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 3,977 million and CZK 3,500 million and the interest capitalization rate was 4.5% and 4.6% in 2014 and 2013, 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. 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	8–15

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 tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 13,298 million and CZK 13,149 million for the years ended December 31, 2014 and 2013, which was equivalent to a composite depreciation rate of 4.0% and 4.1%, 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.

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 10 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.

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 free of charge. 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 latest, the Company is required to remit a number of allowances representing the number of tones of CO_2 actually emitted in previous year. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 100 per 1 ton of CO_2.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. The allocation of emission rights granted free of charge to an entity operating certain electricity generation facilities specified by the law was the subject to a gift tax in 2011 and 2012. As a result, granted emission rights, which were subject to the gift tax, were initially recognized at the amount of related gift tax as of the grant date. 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 amount of the gift tax on granted emission rights, which is charged to profit or loss as part of the charge of the provision, the eventual cost of emission rights sold or as part of the consumption of emission rights when the allowances are remitted from the register, is included in the line Other income (expenses), net.

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.

The swaps of European emission rights (EUA) and certified emission reductions (CER or emission credits) are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

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.

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 such 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 income (expenses), net.

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 under non-current financial assets as restricted funds (see Note 4.2), relate to 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 Company.

2.14. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

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, 2014 and 2013 the provision for obsolescence amounted to CZK 73 million and CZK 71 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 where 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 income (expenses), net.

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 written option as defined by the standard. 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 electricity, coal and gas 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, 2014 and 2013, 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 2015 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 recorded regardless when the temporary difference reverses. 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 income (expenses), net. 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 fuel and irradiated parts of reactors (see Note 15).

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, 2014 and 2013 using a long-term real rate of interest of 1.75% per annum and 2.0% per annum, respectively, 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 nuclear plants. 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, 2014 and 2013 the estimate for the effect of inflation is 1.25% and 1.5%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín power plant and sixty-year period for Dukovany power plant 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 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 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 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.

2.22. 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 of 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 2014 and 2013 the expense recognized in respect of the share option plan amounted to CZK 26 million and CZK 33 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, 2014 and 2013 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2014	2013
CZK per 1 EUR	27.725	27.425
CZK per 1 USD	22.834	19.894
CZK per 1 PLN	6.492	6.603
CZK per 1 BGN	14.193	14.023
CZK per 1 RON	6.185	6.135
CZK per 100 JPY	19.090	18.957
CZK per 1 TRY	9.789	9.275

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, 2014 and 2013 was as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2014	Total 2013
Cost at January 1	85,630	232,049	1,402	319,081	318,139
Additions	4,801	18,341	52	23,194	4,273
Disposals	(1,033)	(677)	(1)	(1,711)	(633)
Change in capitalized part of the provision	122	3,514	–	3,636	1,248
Effect of merger	–	–	46	46	3,995
Non-monetary contribution and other movements	(24)	24	–	–	(7,941)
Cost at December 31	89,496	253,251	1,499	344,246	319,081
Accumulated depreciation and impairment at January 1	(41,282)	(141,000)	–	(182,282)	(175,703)
Depreciation	(2,098)	(11,200)	–	(13,298)	(13,149)
Net book value of assets disposed	(37)	(2)	–	(39)	–
Effect of merger	–	–	–	–	(760)
Non-monetary contribution and other movements	23	(21)	–	2	6,733
Disposals	1,033	677	–	1,710	633
Impairment losses recognized *	(483)	(1,943)	–	(2,426)	(36)
Accumulated depreciation and impairment at December 31	(42,844)	(153,489)	–	(196,333)	(182,282)
Net plant in service at December 31	46,652	99,762	1,499	147,913	136,799

* Contains impairment losses recognized in relation to Počerady gas power plant that was created in the year 2013 as an impairment loss to construction in progress. The impairment loss was transferred to the tangible assets in 2014 when the Počerady gas power plant was put in use.

At December 31, 2014 construction work in progress contains mainly refurbishments performed on Ledvice, Prunéřov, Dukovany and Temelín power plants. It also contains costs of CZK 2,261 million for the preparation of construction of additional two units in nuclear power plant Temelín.

4. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Restricted debt securities available-for-sale	10,166	8,632
Restricted cash	1,863	1,979
Total restricted financial assets	12,029	10,611
Equity securities and interests, net	158,136	163,580
Investment in Dalkia	3,166	3,166
Loans granted, net	7,871	10,568
Derivatives	5,456	4,552
Long-term receivable from settlement with Albania	1,705	–
Other long-term receivables	25	35
Total	188,388	192,512

Movements in impairment provisions against equity securities and interest and provisions against loans (in CZK millions)

	2014		2013	
	Equity securities and interests	Loans	Equity securities and interests	Loans
Opening balance	20,501	768	14,884	–
Additions	6,473	150	5,973	768
Derecognition of impaired fin. assets	(3,028)	(768)	–	–
Reversals	(265)	–	(356)	–
Closing balance	23,681	150	20,501	768

In 2014 the Company created an impairment provisions against the investments in CEZ Hungary Ltd. at the amount of CZK 121 million, CEZ Trade Albania Sh.P.K. at the amount of CZK 85 million, Shared Services Albania Sh. A. at the amount of CZK 73 million and CEZ Srbija d.o.o. at the amount of CZK 36 million in connection with reduction of recoverable value. In addition the impairment provision against the investment in Tomis Team S.R.L. was increased by CZK 3,182 million, in TEC Varna EAD by CZK 1,021 million, in CEZ Razpredelenie Bulgaria AD by CZK 991 million, in Ovidiu Development S.R.L. by CZK 863 million and in Energetické centrum s.r.o. by CZK 101 million due to the reduction of recoverable value.

In 2014 the Company reversed created impairment provision against the investments in Operatori i Shpërndarjes së Energjisë Elektrike (sooner CEZ Shpërndarje Sh.A.) at the amount of CZK 3,028 million and in NERS d.o.o. at the amount of CZK 102 million in connection with the sale of its shares, in CEZ RUS OOO at the amount of CZK 50 million due to liquidation of company and in PPC Úžín, a.s. at the amount of CZK 113 million due to the merger with ČEZ, a. s.

In 2014 the Company also reversed the created impairment provision against the loans granted to CEZ Shpërndarje Sh.A. at the amount of CZK 768 million and created an impairment provision of CZK 150 million against the loans granted to M.W. Team Invest S.R.L.

In 2013 the Company created an impairment provision against the investments in Energetické centrum s.r.o. at the amount of CZK 63 million, Tomis Team S.R.L. at the amount of CZK 3,475 million and Ovidiu Development S.R.L. at the amount CZK 822 million in connection with reduction of recoverable value. In addition the impairment provision against the investment in TEC Varna EAD was increased by CZK 1,613 million and the impairment provision against the investment in CEZ Razpredelenie Bulgaria AD decreased by CZK 309 million due to changes in recoverable value.

In 2013 the Company created an impairment provision of CZK 768 million against the loans granted to CEZ Shpërndarje Sh.A.

Loans granted and other long-term receivables at December 31, 2014 and 2013 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	2014		2013	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	1,907	586	2,602	27
Due in 2–3 years	1,407	572	1,979	5
Due in 3–4 years	1,439	570	1,438	3
Due in 4–5 years	1,414	2	1,437	–
Due in more than 5 years	1,704	–	3,112	–
Total	7,871	1,730	10,568	35

Loans granted and other long-term receivables at December 31, 2014 and 2013 have following effective interest rate structure (in CZK millions)

	2014		2013	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	–	1,730	32	35
From 2.0% to 2.99%	910	–	2,299	–
From 3.0% to 3.99%	3,320	–	3,866	–
From 4.0% to 4.99%	89	–	64	–
Over 4.99%	3,552	–	4,307	–
Total	7,871	1,730	10,568	35

Loans granted and other long-term receivables at December 31, 2014 and 2013 according to currencies (in CZK millions)

	2014		2013	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
CZK	6,540	15	7,860	20
EUR	950	1,712	2,370	13
PLN	381	1	338	1
USD	–	2	–	1
Total	7,871	1,730	10,568	35

4.1. Investments in Subsidiaries, Associates and Joint-ventures

In 2014 two subsidiaries ČEZ Inženýring, s.r.o. (100%) and ČEZ ESCO, a.s. (100%) were founded.

In 2014 the share capitals of ŠKODA PRAHA a.s. and Ovidiu Development S.R.L. was increased by cash contribution.

In 2014 the equity of CEZ Hungary Ltd. was increased by cash contribution outside the registered capital.

In 2014 the share capital of Shared Services Albania Sh. A. was increased by the capitalization of receivable.

At July 1, 2014 PPC Úžín, a.s. was deleted from the Commercial Register due to the merger with ČEZ, a. s.

In 2014 the Company sold its 51% share in NERS d.o.o. to the company Elektroprivreda Republike Srpske on the basis of termination of proceedings by arbitration panel, which ruled in favor of the Company.

In 2014 CEZ RUS OOO was deleted from the Commercial Register.

In May 2009, the Company acquired a 76% shareholding in the sole Albanian distribution company CEZ Shpërndarje Sh.A. The remaining 24% was owned by the Albanian government. On January 21, 2013 the Albanian regulator decided to revoke the CEZ Shpërndarje Sh.A.'s license for the distribution and sale of electricity to tariff customers and appointed the administrator of CEZ Shpërndarje Sh.A. As a result, the Company lost control of CEZ Shpërndarje Sh.A. as of the same date. The administrator took control over the company including the decision making powers and responsibility for its operations. Both the rights of statutory bodies of CEZ Shpërndarje Sh.A. and the ČEZ shareholder rights were transferred to the administrator. In May 2013, the arbitration proceedings with the International Arbitration Tribunal for damage incurred due to its non-protected investment were formally initiated between ČEZ and the Republic of Albania. In 2014 a Settlement Agreement was signed with the Albanian state in the presence of a mediator from the Energy Community Secretariat in Vienna. The total amount of compensation for receivables and shares is EUR 95 million in favor of CEZ Group. Its discounted value of CZK 2,562 million was recorded in statement of income in 2014 (see Note 22). In 2014 the Company received EUR 10 million and the remaining amount will be received in four annual installments until 2018 and is guaranteed by reputable European bank. Upon the effective date of the Settlement Agreement, the Company transferred 76% share in CEZ Shpërndarje Sh.A. back to Albanian state. At the same time, the arbitration proceedings were closed.

Several subsidiaries were founded or acquired during 2013:

In 2013 a subsidiary ČEZ Nová energetika, a.s. (100%) was founded.

In 2013 the share capital of ČEZ Teplárenská, a.s. and Elektrárna Dětmarovice, a.s. was increased by non-monetary contribution of part of business.

In 2013 the share capitals of Akenerji Elektrik Üretim A.S. and CEZ Trade Albania Sh.P.K. were increased by cash contribution. Due to the cash contribution to the share capital of ČEZ OZ uzavřený investiční fond a.s. the share in the company increased to 99.60% in 2013. In addition, the investment in ČEZ OZ uzavřený investiční fond a.s. increased by the capitalization of loan granted by the Company.

In 2013 the Company acquired non-controlling interest in ČEZ Obnovitelné zdroje, s.r.o. and Akcez Enerji A.S. The share in capital of these companies increased to 100% and 50%, respectively.

As at September 2, 2013 the Company sold its 100% share in Elektrárna Chvaletice a.s.

In 2013 STE - obchodní služby spol. s r.o. v likvidaci was deleted from the Commercial Register.

The following table summarizes investments in subsidiaries, associates and joint-ventures and other ownership interests:

As at December 31, 2014

Company	Country	Interest, net in CZK millions	% interest [3]	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	31,415	100.00	5,716
Energotrans, a.s.	Czech Republic	17,986	100.00	1,352
Severočeské doly a.s.	Czech Republic	14,312	100.00	1,707
CEZ Distributie S.A.	Romania	13,489	100.00	–
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	12,874	99.60	1,199
Akenerji Elektrik Üretim A.S.	Turkey	9,043	37.36	–
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	6,870	67.00	453
CEZ Poland Distribution B.V.	Netherlands	4,887	100.00	–
ČEZ Teplárenská, a.s.	Czech Republic	4,678	100.00	170
CEZ Silesia B.V.	Netherlands	4,368	100.00	–
ČEZ ICT Services, a. s.	Czech Republic	4,236	100.00	500
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	–
ČEZ Korporátní služby, s.r.o.	Czech Republic	3,486	100.00	813
Akcez Enerji A.S.	Turkey	3,034	50.00	–
Elektrárna Dětmarovice, a.s.	Czech Republic	2,196	100.00	–
TEC Varna EAD	Bulgaria	1,288	100.00	–
Elektrárna Počerady, a.s.	Czech Republic	1,280	100.00	3,139
ČEZ Distribuční služby, s.r.o.	Czech Republic	1,145	100.00	983
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	2,869
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	949	50.00	–
CEZ Vanzare S.A.	Romania	817	100.00	389
ČEZ Slovensko, s.r.o.	Slovakia	557	100.00	–
Energetické centrum s.r.o.	Czech Republic	515	100.00	–
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	38
ČEZ Energo, s.r.o.	Czech Republic	401	50.10	–
ČEZ ESCO, a.s.	Czech Republic	400	100.00	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	775
CM European Power Slovakia s.r.o.	Slovakia	295	24.50	2
ÚJV Řež, a. s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	3
CEZ Romania S.A.	Romania	91	100.00	65
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	85	100.00	98
ČEZ Inženýring, s.r.o.	Czech Republic	80	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	100.00	–
CEZ Trade Polska sp. z o.o.	Poland	45	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	23
Other		242	–	72
Total, net		158,136		

As at December 31, 2013

Company	Country	Interest, net in CZK millions	% interest [3]	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	31,415	100.00	3,000
Energotrans, a.s.	Czech Republic	17,986	100.00	3,088
Severočeské doly a.s.	Czech Republic	14,312	100.00	1,707
CEZ Distributie S.A.	Romania	13,489	100.00	485
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	12,874	99.60	1,199
Akenerji Elektrik Üretim A.S.	Turkey	9,043	37.36	–
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	7,860	67.00	–
CEZ Poland Distribution B.V.	Netherlands	4,887	100.00	–
ČEZ Teplárenská, a.s.	Czech Republic	4,678	100.00	–
CEZ Silesia B.V.	Netherlands	4,368	100.00	–
ČEZ ICT Services, a. s.	Czech Republic	4,236	100.00	650
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	–
ČEZ Korporátní služby, s.r.o.	Czech Republic	3,486	100.00	401
Tomis Team S.R.L.	Romania	3,182	100.00	–
Akcez Enerji A.S.	Turkey	3,034	50.00	–
TEC Varna EAD	Bulgaria	2,310	100.00	–
Elektrárna Dětmarovice, a.s.	Czech Republic	2,196	100.00	–
Elektrárna Počerady, a.s.	Czech Republic	1,280	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	1,145	100.00	1,058
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	2,143
CEZ Bulgarian Investments B.V.	Netherlands	973	100.00	–
CM European Power International B.V.	Netherlands	949	50.00	–
Ovidiu Development S.R.L.	Romania	821	95.00	–
CEZ Vanzare S.A.	Romania	817	100.00	91
Energetické centrum s.r.o.	Czech Republic	616	100.00	–
ČEZ Slovensko, s.r.o.	Slovakia	557	100.00	–
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	7
ŠKODA PRAHA a.s.	Czech Republic	421	100.00	–
ČEZ Energo, s.r.o.	Czech Republic	401	50.10	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	–
CM European Power Slovakia s.r.o.	Slovakia	295	24.50	–
ÚJV Řež, a. s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	–
CEZ Hungary Ltd.	Hungary	158	100.00	–
PPC Úžín, a.s. [1]	Czech Republic	107	100.00	–
CEZ Trade Albania Sh.P.K.	Albania	92	100.00	–
CEZ Romania S.A.	Romania	91	100.00	20
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	85	100.00	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	39.25	–
NERS d.o.o. [2]	Bosnia and Herzegovina	50	51.00	–
CEZ Polska sp. z o.o.	Poland	50	100.00	–
CEZ Srbija d.o.o.	Serbia	46	100.00	–
CEZ Trade Polska sp. z o.o.	Poland	45	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	29
Other		245	–	147
Total, net		163,580		

[1] PPC Úžín, a.s. merged with the succession company ČEZ, a. s. with the legal effective date of July 1, 2014.
[2] In 2014 the Company sold its 51% share in NERS d.o.o.
[3] Equity interest is equal to voting rights.

4.2. Restricted Financial Assets

At December 31, 2014 and 2013, restricted balances of financial assets totaled CZK 12,029 million and CZK 10,611 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks), and accumulated provision for nuclear decommissioning in compliance with the Nuclear Act. Restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2014 and 2013, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 303 million and CZK 306 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 11,665 million and CZK 10,244 million, respectively.

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2014 and 2013 were as follows (in CZK millions)

	Software	Rights and Other	Total 2014	Total 2013
Cost at January 1	1,287	1,203	2,490	2,468
Additions	329	32	361	111
Disposals	(31)	(17)	(48)	(49)
Effect of merger	–	–	–	5
Non-monetary contribution and other movements	–	(44)	(44)	(45)
Cost at December 31	1,585	1,174	2,759	2,490
Accumulated amortization at January 1	(1,150)	(951)	(2,101)	(1,980)
Amortization	(129)	(82)	(211)	(209)
Disposals	31	17	48	49
Effect of merger	–	–	–	(3)
Non-monetary contribution and other movements	–	–	–	42
Accumulated amortization at December 31	(1,248)	(1,016)	(2,264)	(2,101)
Net intangible assets at December 31	337	158	495	389

At December 31, 2014 and 2013, intangible assets presented in the balance sheet included intangible assets in progress of CZK 173 million and CZK 183 million, respectively.

6. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Cash on hand and current accounts with banks	7,611	5,541
Short-term securities	900	600
Term deposits	1,000	8,025
Total	9,511	14,166

At December 31, 2014 and 2013, cash and cash equivalents included foreign currency deposits of CZK 160 million and CZK 2,129 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2014 and 2013 was 0.49% and 0.71%, respectively. For the years 2014 and 2013 the weighted average interest rate was 0.55% and 0.93%, respectively.

7. Receivables, Net

The composition of receivables, net, at December 31, 2014 and 2013 is as follows (in CZK millions)

	2014	2013
Trade receivables	34,588	34,152
Short-term loans granted	10,916	20,482
Taxes and fees excl. income tax	358	1,024
Other receivables	5,256	3,799
Allowance for doubtful receivables	(4,361)	(2,977)
Total	46,757	56,480

The information about receivables from related parties is included in Note 26.

At December 31, 2014 and 2013 the ageing analysis of receivables, net is as follows (in CZK millions)

	2014	2013
Not past due	46,558	56,210
Past due but not impaired [1)]		
less than 3 months	196	159
3–6 months	1	1
6–12 months	2	110
Total	46,757	56,480

[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)

	2014	2013
Opening balance	2,977	3,307
Additions	3,169	1,398
Reversals	(1,790)	(1,950)
Non-monetary contribution	–	(10)
Currency translation difference	5	232
Closing balance	4,361	2,977

In 2014 additions to allowances comprise the allowance of CZK 2,345 million for loans granted to Tomis Team S.R.L., Ovidiu Development S.R.L. and M.W. Team Invest S.R.L.

8. Emission Rights

The following table summarizes the movements and balances of emission rights and credits in measurement units (thousands of tons) in 2014 and 2013 and as at December 31, 2014 and 2013, respectively, and their valuation presented in the accompanying financial statements:

	2014		2013	
	(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	14,645	6,078	42,800	8,070
Emission rights granted	23,539	–	–	–
Effect of merger with Teplárna Trmice, a.s.	–	–	209	6
Non-monetary contribution to Elektrárna Dětmarovice, a.s.	–	–	(2,456)	(197)
Settlement of prior year actual emissions with register	(16,623)	(2,966)	(17,834)	(1,128)
Emission rights purchased	2,382	422	–	–
Emission rights sold	(2,073)	–	(10,370)	(822)
Emission credits purchased	2,131	2	3,524	191
Emission credits sold	(474)	(12)	(1,228)	(42)
Granted and purchased emission rights and credits at December 31	23,527	3,524	14,645	6,078
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	9,210	1,222	16,584	1,968
Emission rights purchased	3,321	557	6,119	835
Emission rights sold	(9,306)	(1,782)	(8,950)	(1,059)
Emission credits purchased	813	4	10	–
Emission credits sold	(818)	(4)	(4,553)	(20)
Fair value adjustment	–	654	–	(502)
Emission rights and credits held for trading at December 31	3,220	651	9,210	1,222

In 2014 and 2013, total emissions of greenhouse gases made by the Company amounted to an equivalent of 16,468 thousand tons and 16,623 thousand tons of CO_2, respectively. At December 31, 2014 and 2013 the Company recognized a provision for CO_2 emissions in total amount of CZK 3,524 million and CZK 2,924 million, respectively (see Notes 2.10 and 19).

The allocation of 2013 granted emission rights in an equivalent of 12,682 thousand tons was approved by the European Union in January 2014 and this allocation was reflected when creating the provision for CO_2 emissions at December 31, 2013.

The following table shows the impact of transactions with emission rights and credits on income for the year ended December 31, 2014 and 2013 (in CZK millions):

	2014	2013
Gain on sales of granted emission rights	342	1,337
Net gain (loss) from trading with emission rights and credits	(136)	541
Net gain (loss) from derivatives	(384)	710
Remitted emission rights and credits	(2,966)	(292)
Fair value adjustment	654	(502)
Creation of provision for emission rights	(3,524)	(2,898)
Settlement of provision for emission rights	2,924	–
Net loss from emission rights and credits	(3,090)	(1,104)

The expense related to the gift tax on granted emission rights is included in the line Other income (expenses), net (see Notes 2.10 and 24).

9. Other Financial Assets, Net

Other financial assets, net, at December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Derivatives	22,865	21,451
Equity securities available-for-sale	2,112	278
Debt securities held-to-maturity and term deposits	13,382	15,477
Total	38,359	37,206

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, 2014 bear an interest rate up to 1.14%.

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 can be exercised in 2016 for cash consideration of CZK 8.5 billion less CZK 0.4 billion per each block of the power plant not modernized. Second option can be exercised in 2024 for cash consideration of CZK 2 billion. 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 no similar power plant in the Czech Republic for sale and also no similar transaction took place. There is also significant variability in the range of reasonable fair values for this equity instrument and it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put options will be measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

10. Other Current Assets

Other current assets at December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Prepayments	680	668
Advances granted	437	480
Total	1,117	1,148

11. Equity

As at December 31, 2014, 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.

There were no changes in number of treasury shares in 2014 and 2013. Treasury shares remaining at end of period (3,875,021 pieces at December 31, 2014 and 2013) are presented at cost as a deduction from equity.

Declared dividends per share were CZK 40 in 2014 and CZK 40 in 2013, respectively. Dividends from 2014 profit will be declared on the general meeting which will be held in the first half of 2015.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains current credit rating and 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 of the Group, the goal is to keep this ratio below 2.3. 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 composition of EBITDA changed compared to prior year presentation. This year's EBITDA does not include the amount of write-off of cancelled investments. Prior year figures were amended accordingly.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2014	2013
Total long-term debt	176,526	196,300
Total short-term loans	7,608	2,716
Total debt	**184,134**	**199,016**
Less:		
Cash and cash equivalents	(20,095)	(25,003)
Highly liquid financial assets:		
Short-term equity securities available-for-sale	(2,112)	(278)
Short-term debt securities available-for-sale	–	(49)
Short-term debt securities held-to-maturity and term deposits	(14,672)	(16,627)
Long-term deposits	(10)	–
Long-term debt securities available-for-sale	–	(633)
Total net debt	**147,245**	**156,426**
Income before income taxes and other income (expenses)	36,946	45,690
Depreciation and amortization	27,705	27,902
Impairment of property, plant and equipment and intangible assets including goodwill	8,025	8,469
Gain on sale of property, plant and equipment	(178)	(67)
EBITDA	**72,498**	**81,994**
Total equity attributable to equity holders of the parent	261,308	258,076
Total debt	184,134	199,016
Total capital	**445,442**	**457,092**
Net debt to EBITDA ratio	**2.03**	**1.91**
Total debt to total capital ratio	**41.3%**	**43.5%**

12. Long-term Debt

Long-term debt at December 31, 2014 and 2013 was as follows (in CZK millions)

	2014	2013
6.000% Eurobonds, due 2014 (EUR 600 million)	–	16,421
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,283	2,267
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	42	39
5.750% Eurobonds, due 2015 (EUR 460 million) 1)	12,749	16,408
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,523	1,512
5.000% Eurobonds, due 2021 (EUR 750 million)	20,715	20,480
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,380	1,364
4.875% Eurobonds, due 2025 (EUR 750 million)	20,701	20,469
4.500% Eurobonds, due 2020 (EUR 750 million)	20,633	20,381
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,195	2,180
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million) 2)	9,397	13,653
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million)	2,773	2,742
4.102% Eurobonds, due 2021 (EUR 50 million)	1,382	1,366
4.375% Eurobonds, due 2042 (EUR 50 million)	1,358	1,343
4.500% Eurobonds, due 2047 (EUR 50 million)	1,358	1,343
4.383% Eurobonds, due 2047 (EUR 80 million)	2,218	2,194
3M Euribor + 0.36% Eurobonds, due 2014 (EUR 150 million)	–	4,114
3.000% Eurobonds, due 2028 (EUR 500 million)	13,655	13,492
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,219	–
4.250% U.S. bonds, due 2022 (USD 700 million)	15,847	13,790
5.625% U.S. bonds, due 2042 (USD 300 million)	6,775	5,900
4.500% Registered bonds, due 2030 (EUR 40 million)	1,086	1,072
4.750% Registered bonds, due 2023 (EUR 40 million)	1,096	1,083
4.700% Registered bonds, due 2032 (EUR 40 million)	1,102	1,090
4.270% Registered bonds, due 2047 (EUR 61 million)	1,662	1,643
3.550% Registered bonds, due 2038 (EUR 30 million)	828	819
9.220% Debentures, due 2014 (CZK 2,500 million) 3)	–	2,500
Total bonds and debentures	145,225	170,913
Less: Current portion	(12,749)	(23,035)
Bonds and debentures, net of current portion	132,476	147,878
Bank loans (less than 2.00% p. a.)	13,183	16,546
Less: Current portion	(2,343)	(1,678)
Bank loans, net of current portion	10,840	14,868
Total long term debt	158,408	187,459
Less: Current portion	(15,092)	(24,713)
Total long-term debt, net of current portion	143,316	162,746

1) In April 2014, the original nominal value of the issue (EUR 600 million) was reduced by bought back own bonds at a nominal value of EUR 140 million.
2) In April 2014, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 160 million.
3) Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2013 was 5.6%.

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)

	2014	2013
Current portion	15,092	24,713
Between 1 and 2 years	10,886	18,817
Between 2 and 3 years	2,872	16,062
Between 3 and 4 years	1,653	2,409
Between 4 and 5 years	3,033	2,409
Thereafter	124,872	123,049
Total long-term debt	158,408	187,459

The following table analyses long-term debt by currency (in millions)

	2014		2013	
	Foreign currency	CZK	Foreign currency	CZK
EUR	4,636	128,537	5,763	158,062
USD	991	22,622	990	19,690
JPY	31,438	6,001	31,435	5,959
CZK	–	1,248	–	3,748
Total long-term debt		158,408		187,459

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 repricing dates at December 31, 2014 and 2013 without considering interest rate hedging (in CZK millions):

	2014	2013
Floating rate long-term debt		
with interest rate fixed from 1 to 3 months	1,219	4,114
with interest rate fixed from 3 months to 1 year	14,563	20,410
Total floating rate long-term debt	15,782	24,524
Fixed rate long-term debt	142,626	162,935
Total long-term debt	158,408	187,459

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 Note 13 and Note 14.

13. 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

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, 2014 and 2013 are as follows (in CZK millions)

		2014		2013	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS:					
Investments:					
Restricted debt securities available-for-sale	AFS	10,166	10,166	8,632	8,632
Restricted cash	LaR	1,863	1,863	1,979	1,979
Other long-term financial assets, net	LaR	9,601	9,601	10,603	10,603
Current assets:					
Receivables	LaR	46,399	46,399	55,456	55,456
Cash and cash equivalents	LaR	9,511	9,511	14,166	14,166
Short-term debt securities held-to-maturity and term deposits	HTM	13,382	13,382	15,477	15,477
Short-term equity securities available-for-sale	AFS	2,112	2,112	278	278
Other current assets	LaR	437	437	480	480
LIABILITIES:					
Long-term debt including the current portion	AC	(158,408)	(182,401)	(187,459)	(200,439)
Short-term loans	AC	(7,433)	(7,433)	(2,230)	(2,230)
Current liabilities	AC	(68,107)	(68,107)	(64,115)	(64,115)
DERIVATIVES:					
Cash flow hedges:					
Short-term receivables	HFT	211	211	6	6
Long-term receivables	HFT	4,519	4,519	3,934	3,934
Short-term liabilities	HFT	(173)	(173)	(65)	(65)
Long-term liabilities	HFT	(3,464)	(3,464)	(4,799)	(4,799)
Total cash flow hedges		1,093	1,093	(924)	(924)
Electricity, coal and gas trading contracts:					
Short-term receivables	HFT	21,235	21,235	19,637	19,637
Short-term liabilities	HFT	(15,502)	(15,502)	(14,038)	(14,038)
Total electricity, coal and gas trading contracts		5,733	5,733	5,599	5,599
Other derivatives:					
Short-term receivables	HFT	1,419	1,419	1,808	1,808
Long-term receivables	HFT	937	937	618	618
Short-term liabilities	HFT	(697)	(697)	(626)	(626)
Long-term liabilities	HFT	(2,387)	(2,387)	(1,501)	(1,501)
Total other derivatives		(728)	(728)	299	299

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

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 2014 and 2013.

As at December 31, 2014, the fair value hierarchy was the following (in CZK millions)

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	21,235	1,235	20,000	–
Cash flow hedges	4,730	996	3,734	–
Other derivatives	2,356	368	1,988	–
Available-for-sale restricted debt securities	10,166	10,166	–	–
Available-for-sale short-term equity securities	2,112	2,112	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(15,502)	(2,188)	(13,314)	–
Cash flow hedges	(3,637)	(110)	(3,527)	–
Other derivatives	(3,084)	(96)	(2,988)	–

Assets and liabilities for which fair value is disclosed

	Total	Level 1	Level 2	Level 3
Short-term debt securities held-to-maturity and term deposits	13,382	–	13,382	–
Long-term debt including the current portion	(182,401)	(141,286)	(41,115)	–

As at December 31, 2013, the fair value hierarchy was the following (in CZK millions)

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	19,637	245	19,392	–
Cash flow hedges	3,940	141	3,799	–
Other derivatives	2,426	321	2,105	–
Available-for-sale restricted debt securities	8,632	8,632	–	–
Available-for-sale short-term equity securities	278	278	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(14,038)	(58)	(13,980)	–
Cash flow hedges	(4,864)	(313)	(4,551)	–
Other derivatives	(2,127)	(65)	(2,062)	–

Assets and liabilities for which fair value is disclosed

	Total	Level 1	Level 2	Level 3
Short-term debt securities held-to-maturity and term deposits	15,477	–	15,477	–
Long-term debt including the current portion	(200,439)	(152,643)	(47,796)	–

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.

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, 2014 and 2013 (in CZK millions):

	2014		2013	
	Financial asset	Financial liability	Financial asset	Financial liability
Derivatives	28,321	(22,223)	26,003	(21,029)
Other financial instruments *	26,317	(29,223)	25,410	(20,623)
Collaterals paid (received) **	3,345	(2,092)	3,112	(400)
Gross financial assets / liabilities	**57,983**	**(53,538)**	**54,525**	**(42,052)**
Assets / liabilities set off under IAS 32	–	–	–	–
Amounts presented in the balance sheet	**57,983**	**(53,538)**	**54,525**	**(42,052)**
Effect of master netting agreement	(40,007)	40,007	(35,969)	35,969
Net amount after master netting agreement	**17,976**	**(13,531)**	**18,556**	**(6,083)**

* 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 in 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.

14. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase CEZ Group's fundamental 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.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps 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 and revenues 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.

Since 2009 the main Business Plan market risks are quantified (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 an integrated 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).

14.1. 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 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 2014 and 2013 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.

14.2. 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) or Monte-Carlo VaR for the commodity options which expresses a potential change 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)
- 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.

Potential impact of the above risk factors as at December 31 (in CZK millions)

	2014	2013
Monthly VaR (95%) – impact of changes in commodity prices	693	688

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 parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs expected in 2015 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.

Potential impact of the currency risk as at December 31 (in CZK millions)

	2014	2013
Monthly currency VaR (95% confidence)	337	331

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 P/L 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)

	2014	2013
IR sensitivity* to parallel yield curve shift (+10bp)	2	–

* Positive result denotes higher increase in interest revenues than in interest costs and vice versa.

Credit exposure from provided guarantees at December 31 (in CZK millions)

	2014	2013
Guarantees provided to subsidiaries, associates and joint-ventures*	22,535	13,232

* Some of the guarantees could be called until July 2028 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2014 (in CZK millions)

	Bonds and debentures	Loans	Derivatives*	Trade and other payables	Guarantees issued**
Less than 1 year	19,136	9,854	330,121	68,107	22,535
Between 1 and 2 years	15,049	1,549	54,482	–	–
Between 2 and 3 years	6,530	1,701	14,206	–	–
Between 3 and 4 years	5,306	1,690	7,442	–	–
Between 4 and 5 years	6,686	1,679	3,965	–	–
Thereafter	156,915	4,440	70,057	–	–
Total	**209,622**	**20,913**	**480,273**	**68,107**	**22,535**

Contractual maturity profile of financial liabilities at December 31, 2013 (in CZK millions)

	Bonds and debentures	Loans	Derivatives*	Trade and other payables	Guarantees issued**
Less than 1 year	30,835	3,914	327,784	64,115	13,232
Between 1 and 2 years	23,295	2,414	58,330	–	–
Between 2 and 3 years	19,594	2,413	21,028	–	–
Between 3 and 4 years	5,443	2,413	5,326	–	–
Between 4 and 5 years	5,443	2,412	5,726	–	–
Thereafter	163,460	5,235	69,611	–	–
Total	**248,070**	**18,801**	**487,805**	**64,115**	**13,232**

* 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 13.

** 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, 2014 and 2013 amounted to CZK 24.4 billion and CZK 27.0 billion, respectively.

14.3. 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 2015 to 2019. The hedging instruments as at December 31, 2014 and 2013 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.8 billion and EUR 5.0 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (1,749) million and CZK (4,531) million at December 31, 2014 and 2013, respectively.

The Company enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in the period from 2015 to 2016. The hedging instruments as at December 31, 2014 and 2013 are the futures contracts for the purchase of allowances equivalent to 13.1 million tons and 12.5 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK 513 million and CZK (273) million at December 31, 2014 and 2013, respectively.

The Company also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2015 to 2020. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK 2,329 million and CZK 3,880 million at December 31, 2014 and 2013, respectively.

In 2014 and 2013 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 electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2014 and 2013 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 197 million and CZK (126) million, respectively. The ineffectiveness in 2014 and 2013 mainly relates to transactions for which the hedged items are no more highly probable to occur.

15. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

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, currently 2027 for Dukovany and approximately 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 Investments and other 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 was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2014 and 2013, respectively, the payments to the nuclear account amounted to CZK 1,516 million and CZK 1,537 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 provisions for the years ended December 31, 2014 and 2013 (in CZK millions):

	Accumulated provisions			
	Nuclear decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2012	11,850	6,794	23,583	42,227
Movements during 2013:				
Discount accretion and effect of inflation	415	238	825	1,478
Provision charged to income statement	–	460	–	460
Effect of change in estimate charged to income statement	–	249	–	249
Effect of change in estimate added to fixed assets	1,295	–	19	1,314
Current cash expenditures	–	(550)	(1,537)	(2,087)
Balance at December 31, 2013	13,560	7,191	22,890	43,641
Movements during 2014:				
Discount accretion and effect of inflation	474	252	801	1,527
Provision charged to income statement	–	472	–	472
Effect of change in estimate charged to income statement	–	156	–	156
Effect of change in estimate added to fixed assets	2,559	–	954	3,513
Current cash expenditures	–	(706)	(1,516)	(2,222)
Balance at December 31, 2014	16,593	7,365	23,129	47,087

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 2014 the Company recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and change in discount rate and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants and change in discount rate.

In 2013 the Company recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

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. Other Long-term Liabilities

Other long-term liabilities at December 31, 2014 and 2013 are as follows (in CZK millions)

	2014	2013
Derivatives	5,851	6,300
Provision for waste storage reclamation	1,418	1,320
Employee benefits liabilities	989	950
Other*	1,751	1,751
Total	10,009	10,321

* Long-term deposit received from Vršanská uhelná a.s.

The following table shows the movements of the provision for waste storage reclamation for the years ended December 31, 2014 and 2013 (in CZK millions):

	2014	2013
Balance at January 1	1,320	1,277
Discount accretion and effect of inflation	46	44
Effect of change in estimate added to (deducted from) fixed assets	123	(65)
Current cash expenditures	(71)	(43)
Effect of merger	–	107
Balance at December 31	1,418	1,320

17. Short-term Loans

Short-term loans at December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Short-term bank loans	7,431	1,813
Bank overdrafts	2	143
Short-term debentures	–	274
Total	7,433	2,230

Interest on short-term loans is variable. The weighted average interest rate was 0.3% and 0.5% at December 31, 2014 and 2013, respectively. For the years 2014 and 2013 the weighted average interest rate was 0.3% and 0.7%, respectively.

18. Trade and Other Payables

Trade and other payables at December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Trade payables	25,142	29,295
Derivatives	16,372	14,729
Payables from Group cashpooling and similar intra-group loans	39,991	33,403
Other	2,974	1,417
Total	84,479	78,844

The information about payables to related parties is included in Note 26.

19. Accrued Liabilities

Accrued liabilities at December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Provisions	4,268	3,588
Deferred variation margin on “own use” electricity futures	217	436
Accrued interest	2,952	3,716
Unbilled goods and services	6,214	4,627
Taxes and fees, except income tax	357	408
Other	3	–
Total	14,011	12,775

In 2014 and 2013, the Company recognized provision of CZK 3,524 million and CZK 2,924 million, respectively, for emission rights (see Note 8).

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2014 and 2013, the provision totaled CZK 447 million and CZK 393 million, respectively.

At December 31, 2014 and 2013, the provision for legal and commercial disputes amounted to CZK 293 million and CZK 267 million, respectively.

Deferred variation margin represents the net variation margin paid to or by energy exchange POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE) in respect of the electricity future contracts treated as own use, which will be delivered after the balance sheet date.

20. Revenues

Revenues for the years ended December 31, 2014 and 2013 were as follows (in CZK millions)

	2014	2013
Sale of electricity:		
Electricity sales – domestic:		
ČEZ Prodej, s.r.o.	24,431	29,316
PXE	3,365	2,036
Other	29,319	35,920
Total electricity sales – domestic	57,115	67,272
Electricity sales – foreign	9,234	13,828
Effect of hedging (see Note 14.3)	1,290	2,687
Sales of ancillary and other services	4,493	5,700
Total sales of electricity	72,132	89,487
Electricity, coal and gas derivative trading:		
Sales domestic	14,658	16,746
Sales foreign	200,405	197,932
Purchases domestic	(14,324)	(15,779)
Purchases foreign	(193,184)	(191,629)
Effect of hedging	(270)	13
Changes in fair value of commodity derivatives	(4,593)	(5,691)
Total gains and losses from electricity, coal and gas derivative trading, net	2,692	1,592
Sales of gas, heat and other revenues:		
Sales of gas	4,615	5,268
Sales of heat	2,096	1,855
Other	3,171	3,442
Total sales of gas, heat and other revenues	9,882	10,565
Total revenues	84,706	101,644

In 2014 the line item Total gains and losses from electricity, coal and gas derivative trading, net also includes CZK 1,952 million for the termination of contract with Crédit Agricole Corporate and Investment Bank.

21. Salaries and Wages

Salaries and wages for the years ended December 31, 2014 and 2013 were as follows (in CZK millions)

	2014		2013	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages including remuneration of board members and royalties	(4,191)	(296)	(4,218)	(291)
Share options	(26)	(26)	(33)	(33)
Social and health security	(1,313)	(48)	(1,321)	(47)
Other personal expenses	(557)	(43)	(499)	(25)
Total	(6,087)	(413)	(6,071)	(396)

[1)] Members of Supervisory Board, Audit Committee and Board of Directors, Chief Executive Officer, divisional 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.

At December 31, 2014 and 2013, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,575 thousand and 2,388 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 beneficent 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 2014 and 2013 the Company recognized a compensation expense of CZK 26 million and CZK 33 million, respectively, related to the granted options.

The following table shows changes during 2014 and 2013 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors ('000s)	Selected managers ('000s)	Total ('000s)	Weighted average exercise price (CZK per share)
Share options at December 31, 2012	**1,657**	**786**	**2,443**	**852.85**
Options granted	550	295	845	559.43
Options forfeited	(585)	(315)	(900)	970.06
Share options at December 31, 2013 [1)]	**1,622**	**766**	**2,388**	**704.84**
Options granted	610	177	787	586.77
Movements	(120)	120	–	764.34
Options forfeited	(285)	(315)	(600)	814.75
Share options at December 31, 2014 [1)]	**1,827**	**748**	**2,575**	**643.14**

[1)] At December 31, 2014 and 2013 the number of exercisable options was 1,128 thousand and 947 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 737.24 per share and CZK 809.74 per share at December 31, 2014 and 2013, 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:

	2014	2013
Weighted average assumptions:		
Dividend yield	4.6%	6.7%
Expected volatility	23.2%	22.4%
Mid-term risk-free interest rate	0.5%	0.8%
Expected life (years)	1.4	1.4
Share price (CZK per share)	571.2	549.7
Weighted average grant-date fair value of options (CZK per 1 option)	**42.3**	**37.5**

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, 2014 and 2013 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2014	2013
CZK 450–600 per share	1,000	650
CZK 600–800 per share	1,445	1,233
CZK 800–950 per share	130	505
Total	2,575	2,388

The options granted, which were outstanding as at December 31, 2014 and 2013 had an average remaining contractual life of 1.8 years and 1.9 years, respectively.

22. Other Operating Expenses

Other operating expenses for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Services	(6,554)	(6,657)
Change in provisions and valuation allowances	1,191	2,533
Taxes and fees	(1,852)	(1,943)
Write-off of bad debts	(4)	(1,469)
Travel expense	(74)	(88)
Gifts	(152)	(180)
Gain (loss) on sale of property, plant and equipment	(6)	13
Gain (loss) on sale of material	(20)	100
Fines, penalties and penalty interest, net	449	440
Gain from settlement agreement with Republic of Albania (see Note 4.1)	2,562	–
Other, net	(702)	(500)
Total	(5,162)	(7,751)

Taxes and fees include the contributions to the nuclear account (see Note 15). 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.

23. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2014 and 2013 was as follows (in CZK millions)

	2014	2013
Loans and receivables	842	1,225
Held-to-maturity investments	82	135
Available-for-sale investments	262	291
Bank accounts	256	277
Total	1,442	1,928

24. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions)

	2014	2013
Dividends received	20,697	14,296
Derivative gains (losses), net	(418)	8
Gains on sale of available-for-sale financial assets	101	212
Gift tax on emission rights	–	(226)
Impairment of financial investments	(9,010)	(7,403)
Other, net	(487)	860
Total	10,883	7,747

25. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2014 and 2013.

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)

	2014	2013
Current income tax charge	(1,189)	(3,603)
Adjustments in respect of current income tax of previous periods	(5)	(7)
Deferred income taxes	(584)	321
Total	(1,778)	(3,289)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings were as follows (in CZK millions):

	2014	2013
Income before income taxes	22,688	29,662
Statutory income tax rate	19%	19%
"Expected" income tax expense	(4,311)	(5,636)
Tax effect of:		
Non-deductible provisions and allowances, net	(1,608)	(1,013)
Non-deductible expenses related to shareholdings	(23)	(27)
Other non-deductible items, net	(218)	(261)
Non-taxable revenue from settlement agreement with Republic of Albania	454	–
Non-taxable income from dividends	3,932	2,714
Non-deductible share based payment expense	(5)	(6)
Non-taxable gain on sale of subsidiary	5	990
Gift tax on emission allowances	–	(43)
Adjustments in respect of current income tax of previous periods	(4)	(7)
Income tax	(1,778)	(3,289)
Effective tax rate	8%	11%

Deferred income tax liability, net, at December 31, 2014 and 2013 was calculated as follows (in CZK millions):

	2014	2013
Accumulated provision for nuclear decommissioning and spent fuel storage	7,424	6,847
Other provisions	1,198	1,054
Allowances	562	509
Deferred tax recognized in equity	1,879	2,039
Other temporary differences	161	178
Total deferred tax assets	11,224	10,627
Tax depreciation in excess of financial statement depreciation	(19,477)	(18,400)
Penalty receivables	(228)	(155)
Deferred tax recognized in equity	(277)	(142)
Other temporary differences	(866)	(674)
Total deferred tax liability	(20,848)	(19,371)
Total deferred tax liability, net	(9,624)	(8,744)

Tax effects relating to each component of other comprehensive income (in CZK millions)

	2014			2013		
	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	4,889	(929)	3,960	(9,483)	1,802	(7,681)
Cash flow hedges reclassified from equity	(4,045)	769	(3,276)	(3,059)	581	(2,478)
Change in fair value of available-for-sale financial assets recognized in equity	711	(135)	576	(410)	78	(332)
Total	1,555	(295)	1,260	(12,952)	2,461	(10,491)

26. Related Parties

The Company purchases/sells products, goods and services from/to related parties in the ordinary course of business.

At December 31, 2014 and 2013, the receivables from related parties and payables to related parties were as follows (in CZK millions)

	Receivables		Payables	
	2014	2013	2014	2013
Akcez Enerji A.S.	119	104	–	–
CEZ Bulgaria EAD	102	249	1	–
CEZ Bulgarian Investments B.V.	–	49	110	–
CEZ Hungary Ltd.	230	209	38	23
CEZ Chorzow B.V.	–	–	1,045	71
CEZ International Finance B.V.	–	–	1,189	947
CEZ MH B.V.	–	8,754	2,238	651
CEZ Polska sp. z o.o.	19	19	539	957
CEZ Romania S.A.	178	170	1,476	629
CEZ Silesia B.V.	–	–	1,328	1,308
CEZ Vanzare S.A.	5	102	–	–
CM European Power International B.V.	199	401	–	–
CM European Power Slovakia s.r.o.	507	642	–	–
ČEZ Bohunice a.s.	–	–	208	210
ČEZ Distribuce, a. s.	7,763	9,045	5,962	7,594
ČEZ Distribuční služby, s.r.o.	10	23	5,316	4,810
ČEZ Energetické produkty, s.r.o.	1	–	255	249
ČEZ Energetické služby, s.r.o.	28	1	19	157
ČEZ ENERGOSERVIS spol. s r.o.	201	4	601	570
ČEZ ESCO, a.s.	–	–	400	–
ČEZ ICT Services, a. s.	27	11	884	543
ČEZ Inženýring, s.r.o.	1	–	97	–
ČEZ Korporátní služby, s.r.o.	14	12	660	611
ČEZ Obnovitelné zdroje, s.r.o.	23	11	31	181
ČEZ OZ uzavřený investiční fond a.s.	2	51	360	–
ČEZ Prodej, s.r.o.	4,314	1,723	11,222	7,914
ČEZ Slovensko, s.r.o.	353	392	85	24
ČEZ Teplárenská, a.s.	197	205	224	259
ČEZ Zákaznické služby, s.r.o.	–	2	143	120
Eco-Wind Construction S.A.	363	312	–	–
Elektrárna Dětmarovice, a.s.	247	56	1,887	1,594
Elektrárna Počerady, a.s.	743	1,339	5,944	7,372
Elektrociepłownia Chorzów ELCHO sp. z o.o.	74	642	1	–
Elektrownia Skawina S.A.	181	88	91	113
Energetické centrum, s.r.o.	152	201	–	–
Energotrans, a.s.	245	86	650	225
M. W. Team Invest S.R.L.	1,019	1,128	–	–
Ovidiu Development S.R.L.	8,061	8,451	58	75
SD - Kolejová doprava, a.s.	5	1	103	78
Severočeské doly a.s.	667	768	530	490
Shared Services Albania Sh. A.	–	91	–	–
ŠKODA PRAHA Invest s.r.o.	1,185	210	2,132	3,161
Telco Pro Services, a. s.	2	1	249	241
Tomis Team S.R.L.	473	674	79	103
ÚJV Řež, a. s.	1	1	211	217
Other	420	306	216	274
Total	28,131	36,534	46,582	41,771

The following table provides the total amount of transactions (sales and purchases), which were entered into with related parties in 2014 and 2013 (in CZK millions)

	Sales to related parties		Purchases from related parties	
	2014	2013	2014	2013
Akcez Enerji A.S.	56	32	–	–
CEZ Bulgaria EAD	218	244	2	–
CEZ Hungary Ltd.	1,371	1,259	20	47
CEZ MH B.V.	31	110	9	–
CEZ Polska sp. z o.o.	98	92	–	–
CEZ Romania S.R.L.	182	185	–	–
CEZ Srbija d.o.o.	153	131	160	354
CEZ Trade Bulgaria EAD	162	149	202	282
CEZ Trade Polska sp. z o.o.	505	424	14	15
CEZ Trade Romania S.R.L.	1	478	4	258
CEZ Vanzare S.A.	97	938	–	–
ČEZ Distribuce, a. s.	620	186	131	126
ČEZ Distribuční služby, s.r.o.	108	130	24	8
ČEZ Energetické produkty, s.r.o.	6	5	596	492
ČEZ Energetické služby, s.r.o.	8	8	115	106
ČEZ ENERGOSERVIS spol. s r.o.	38	22	1,755	767
ČEZ ICT Services, a. s.	56	61	1,782	1,981
ČEZ Korporátní služby, s.r.o.	44	47	667	719
ČEZ Obnovitelné zdroje, s.r.o.	7	9	277	264
ČEZ Prodej, s.r.o.	29,433	34,612	3,177	2,482
ČEZ Slovensko, s.r.o.	2,899	3,710	298	353
ČEZ Teplárenská, a.s.	1,749	1,583	155	98
Elektrárna Dětmarovice, a.s.	964	482	3,215	3,086
Elektrárna Chvaletice, a.s. [1)]	–	2,283	–	2,965
Elektrárna Počerady, a. s.	2,787	6,117	7,384	11,687
Elektrociepłownia Chorzów ELCHO sp. z o.o.	101	181	–	–
Elektrownia Skawina S.A.	194	318	1,022	1,158
Energotrans, a.s.	920	606	1,216	1,126
LOMY MOŘINA spol. s r.o.	–	–	186	174
OSC, a.s.	–	–	124	97
Ovidiu Development S.R.L.	244	1	276	664
SD - Kolejová doprava, a.s.	13	11	790	675
Severočeské doly a.s.	105	95	4,438	5,098
ŠKODA PRAHA Invest s.r.o.	90	51	8,987	17,228
Teplárna Trmice, a.s. [2)]	–	60	–	154
Tomis Team, S.R.L.	92	122	348	930
ÚJV Řež, a. s.	2	1	476	467
Other	337	280	193	96
Total	43,691	55,023	38,043	53,957

[1)] As at September 2, 2013 Elektrárna Chvaletice, a.s. was sold.
[2)] In 2013 Teplárna Trmice, a.s. merged with the succession company ČEZ, a. s. with the legal effective date of October 1, 2013.

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 18).

27. 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.

28. Earnings per Share

	2014	2013
Numerator – basic and diluted (CZK millions)		
Net profit	20,910	26,373
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,115	534,115
Dilutive effect of share options	64	7
Diluted:		
Adjusted weighted average shares	534,179	534,122
Net income per share (CZK per share)		
Basic	39.1	49.4
Diluted	39.1	49.4

29. Commitments and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2014 to total CZK 60.4 billion over the next five years, as follows: CZK 22.5 billion in 2015, CZK 10.6 billion in 2016, CZK 8.8 billion in 2017, CZK 8.7 billion in 2018 and CZK 9.8 billion in 2019. 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, 2014 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 has obtained all insurance policies with minimal limits as required by the law. 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 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.

Contingent Liabilities

The Company has a dispute with Sokolovská uhelná, právní nástupce, a.s. related to the quantity and price of coal supplied to the Company. In relation to this dispute there are proceedings with Specialized Tax Office and Anti-trust Office under way. Although the management believes the outflow of resources embodying economic benefits is not probable, the final outcome of these proceedings cannot be anticipated.

In 2012 Romanian company Electrica S.A. started the arbitration proceedings against the Company with the International Arbitration Tribunal for the deemed breach of privatization agreement from April 5, 2005 and claims the compensation of EUR 81.6 million. Based on this agreement the Company acquired a share in former subsidiary of the claimant Electrica Oltenia S.A. The Company considers the claim as ungrounded and in its response in October 2013 suggested to reject the claim. It is expected the arbitration proceedings will come to an end during first half of 2015. The final outcome of these arbitration proceedings cannot be anticipated.

These financial statements have been authorized for issue on March 2, 2015.

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 Prague 4
Czech Republic

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
Phone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	www.cez.cz [1]
E-mail:	cez@cez.cz

Closing date of the 2014 Annual Report: April 7, 2015

Relation Structure Diagram
Alphabetical List of Companies

THE END

We would like to thank all viewers
who watched these selected episodes
from 2014 with us again.
But the show goes on.
We've got enough energy and there are
more and more actors. We are hoping to make future seasons
even more interesting than the one you just watched.
We will do our best.
We look forward to seeing you again!