Annex 1:

REPORT ON BUSINESS OPERATIONS AND THE STATE OF ASSETS OF ČEZ, a. s. IN 2013

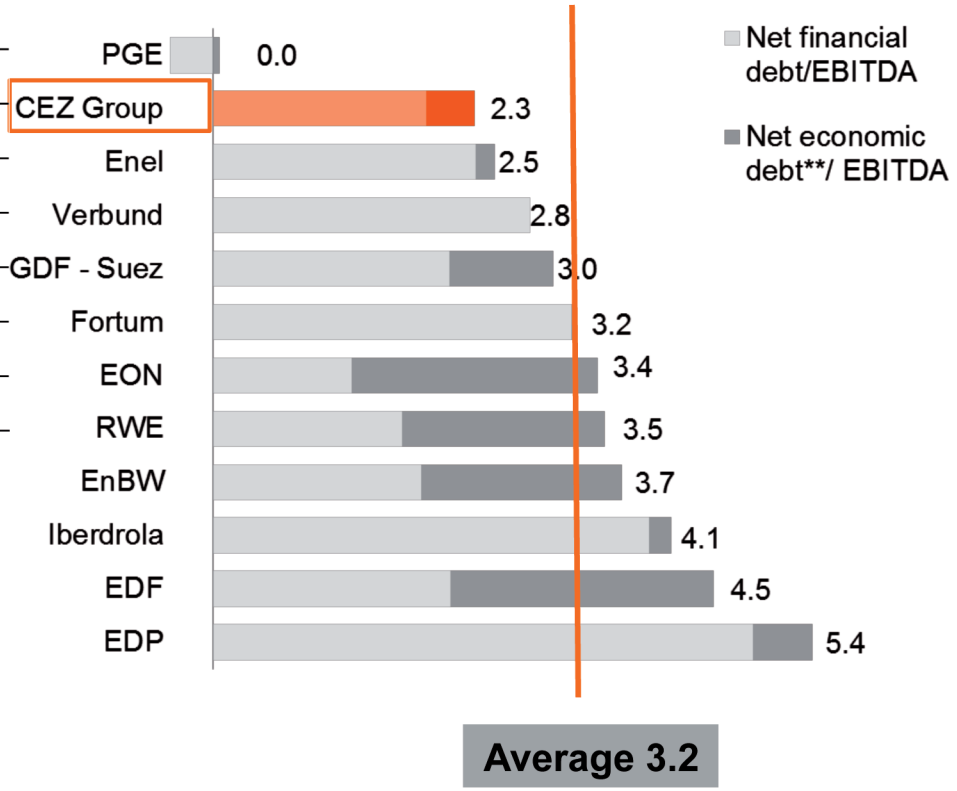
Prague, 27 June 2014

CEZ GROUP FACES THE EUROPEAN CRISIS IN POWER ENGINEERING BETTER THAN ITS COMPETITORS

ČEZ IS ONE OF THE FEW EUROPEAN ENERGY ENTERPRISES WHO KEPT THEIR S&P RATING (A- LEVEL)

Company	Rating 2014 (Feb)	Outlook	Change since 2012 (Feb)
EDF	A+	Stable	→
GDF SUEZ	A	Negative	↓*
Fortum	A–	Negative	↓
E.ON	A–	Stable	↓
ČEZ	A–	Stable	→
RWE	BBB +	Stable	↓
Enel	BBB	Stable	↓
IBERDROLA	BBB	Stable	↓

NET ECONOMIC DEBT** / EBITDA



*rating kept, forecast worsened ** *economic debt = net financial debt + pension liabilities + nuclear provisions*

CURRENT STRATEGY IS IMPLEMENTED THROUGH SEVEN STRATEGIC PROGRAMS

1. Protecting existing business value

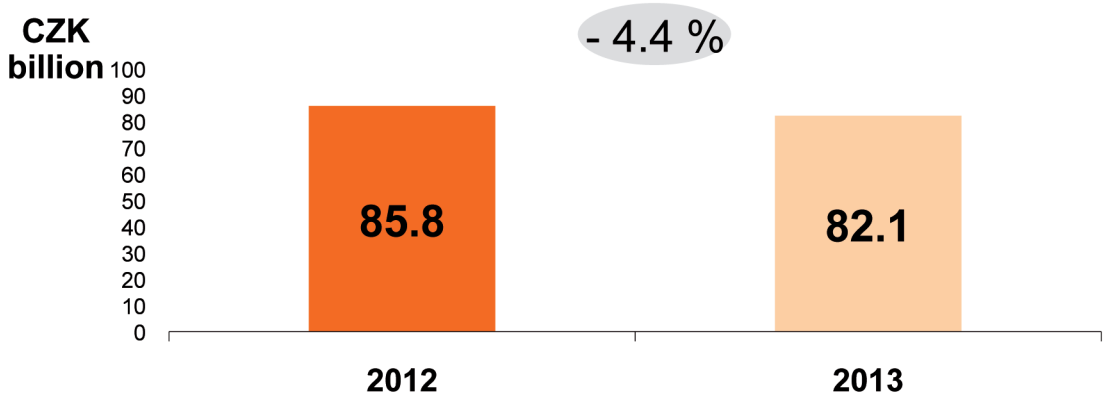
2. Developing opportunities for growth

Program	Program objectives
New nuclear resources	▪ Ensure conditions of economic feasibility and funds for ETE 3, 4 and/or other nuclear projects
Long-term EDU operation	▪ Extend the lifespan of the Dukovany Nuclear Power Plant to at least 2025 with the required rate of return
Consolidation of foreign business	▪ Optimize the capital structure of each company ▪ Reduce exposure in unviable markets and increase the focus on more politically and economically stable countries
Efficiency and entrepreneurship	▪ Boost entrepreneurship and financial management when reaching additional savings ▪ Define the employee development program to increase CEZ Group's efficiency and value
Renewable resources	▪ Optimize the existing portfolio by selling selected projects or interests ▪ Develop, build and run the RER portfolio with an attractive IRR
Customer-orientation	▪ Improve the customer experience across the CEZ Group ▪ Use new products for existing customer base evaluation ▪ Improve the brand perception
New energy enterprises	▪ Build new businesses, in particular in distributed and "small" power engineering targeted at the end customer

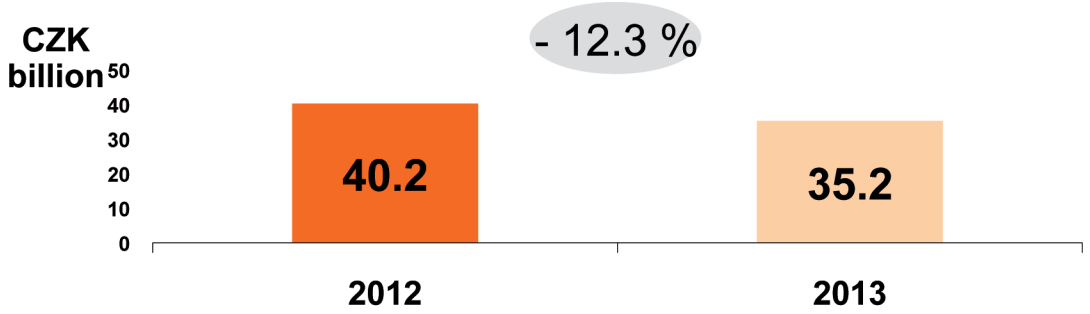
RER – Renewable Energy Resources IRR – Internal Rate of Return

2013 RESULTS REFLECT THE WORSENING CONDITIONS IN THE POWER ENGINEERING BUSINESS

EBITDA



NET INCOME



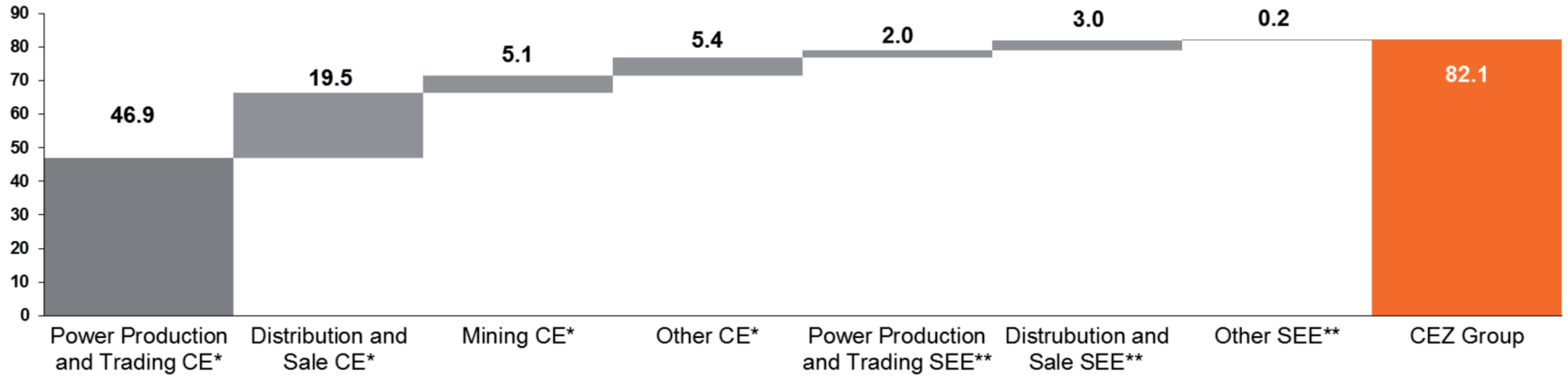
CEZ GROUP FINANCIAL RESULTS

Main Indicators	Unit	2012	2013	Change 13/12 %
Operating revenue	CZK million	215,095	217,273	1.0
Operating cost	CZK million	158,012	171,518	8.5
EBITDA	CZK million	85,818	82,054	-4.4
EBIT	CZK million	57,083	45,755	-19.8
Net income	CZK million	40,153	35,234	-12.3
Total assets	CZK million	636,070	641,136	0.8
Tangible and intangible fixed assets*	CZK million	441,358	447,358	1.4
ROE, net	%	17.4	14.1	-19.0
ROA, net	%	6.7	5.6	-16.3
ROIC	%	10.5	8.0	-23.8

* Including nuclear fuel

BREAKDOWN ACCORDING TO INDIVIDUAL SEGMENTS: EBITDA IN 2013

CZK billion

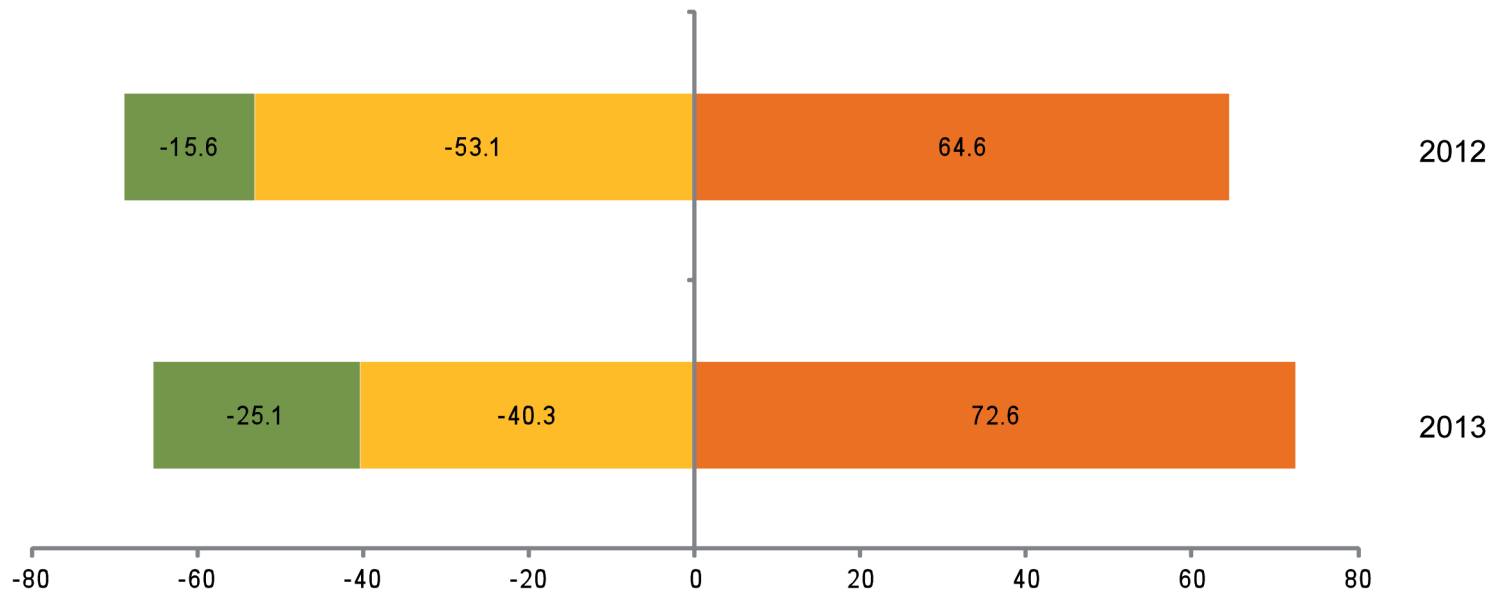


Change in EBITDA 2013 vs. 2012

%	-18 %	+11 %	+12 %	-4 %	-32 %	-	+1 %	-4 %
CZK bn	-10.1	+1.9	+0.5	-0.2	-0.9	+4.7	+0.0	-3.8

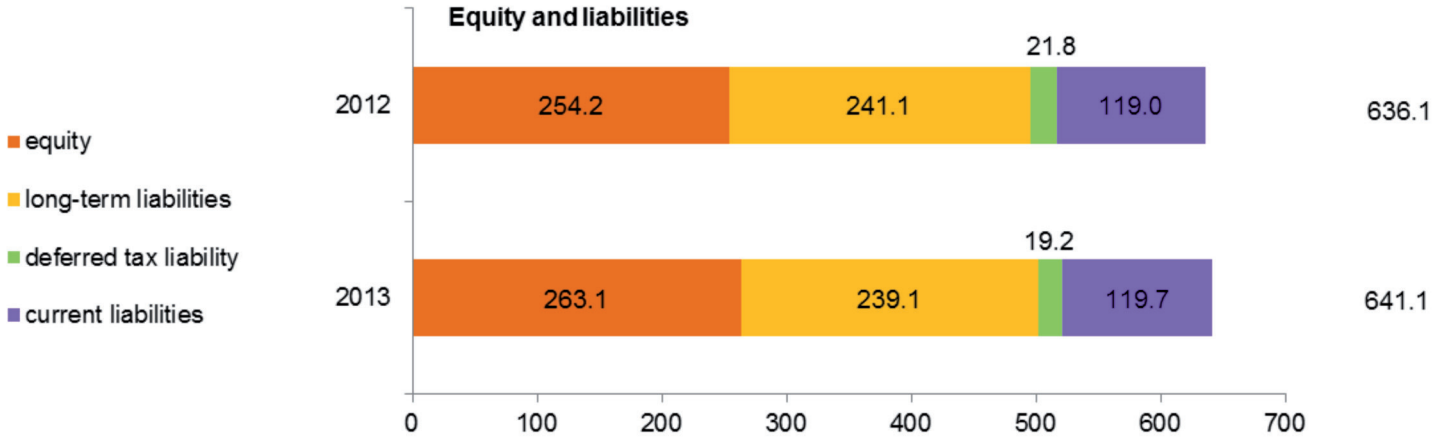
* CE = Central Europe (especially Czech Republic, Slovakia, Poland)
**SEE = Southeastern Europe (especially Bulgaria, Romania, Albania)

CEZ GROUP CASH FLOW OVERVIEW



- Financing activities including the net effect of currency translation in cash
- Investing activities
- Operating activities

CEZ GROUP ASSETS AND EQUITY AND LIABILITIES AS OF DECEMBER 31ST

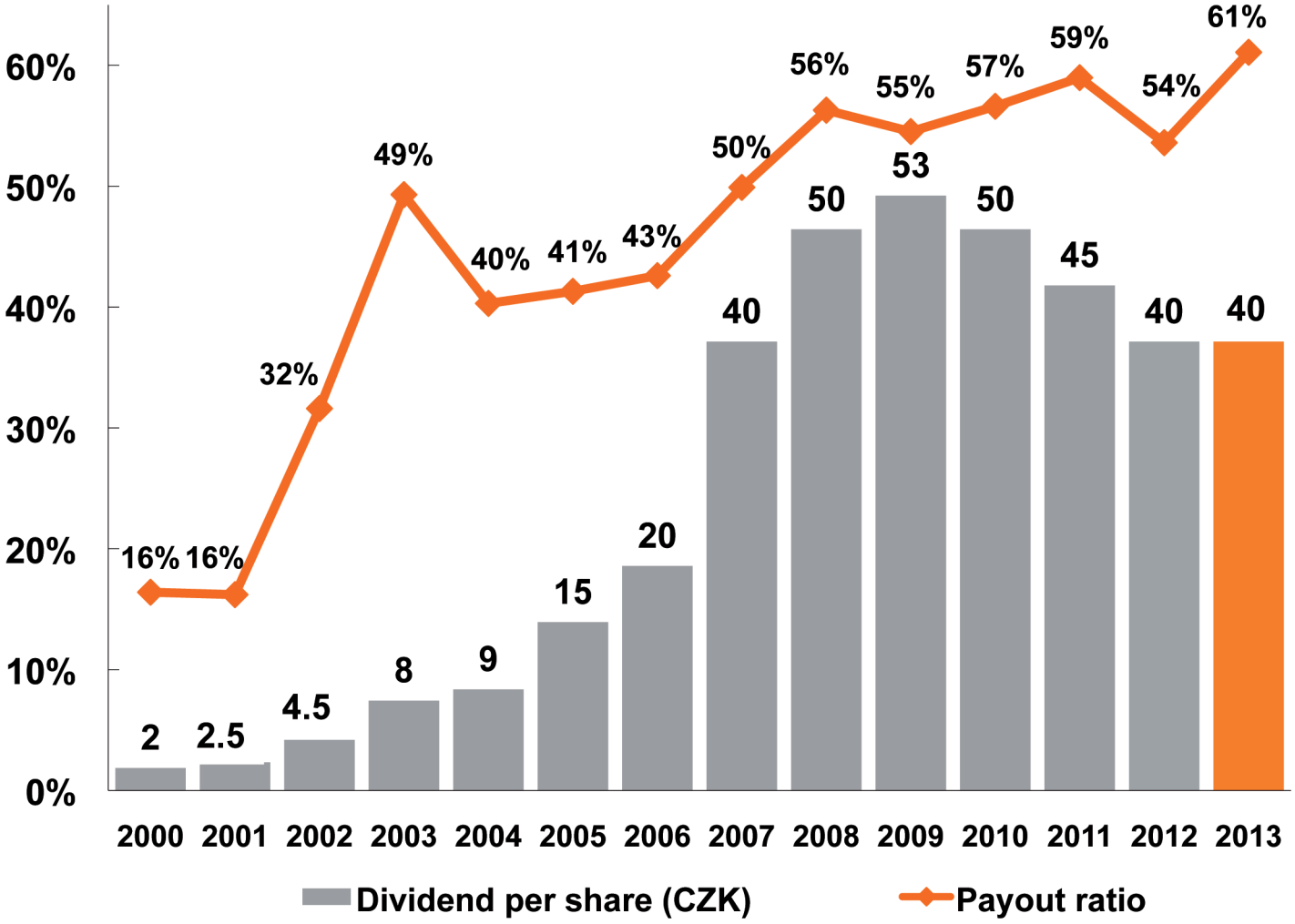


ČEZ, A. S. FINANCIAL PERFORMANCE

Main Indicators	Unit	2012	2013	Change 13/12 %
Operating revenue	CZK million	108,147	101,644	-6.0
Operating costs	CZK million	72,894	81,549	11.9
EBITDA	CZK million	48,605	35,907	-26.1
EBIT	CZK million	35,253	20,095	-43.0
Net income	CZK million	35,336	26,373	-25.4
Total assets	CZK million	538,873	549,257	1.9
Tangible and intangible fixed assets*	CZK million	234,510	221,056	-5.7
ROE, net	%	17.5	12.7	-27.4
ROA, net	%	6.8	4.8	-29.4

* Including nuclear fuel

PROPOSED DIVIDEND PAYMENT BY ČEZ, A. S. FOR 2013



The proposed dividend for 2013 amounts to CZK 40 per share.

Note: The payout ratio is the dividend to CEZ Group's consolidated net profit ratio for the year

TEMELÍN NUCLEAR POWER PLANT DEVELOPMENT

New units 3 and 4 construction

Offers have been evaluated, negotiations with tenderers held and approval and licence process preparation continued

- The EIA (Environmental Impact Assessment) process continued by the assessment of comments by the Ministry of the Environment and subsequent publication of its favorable opinion.
- Comments of the State Office for Nuclear Safety (SÚJB) on the application for nuclear equipment placement were consulted.

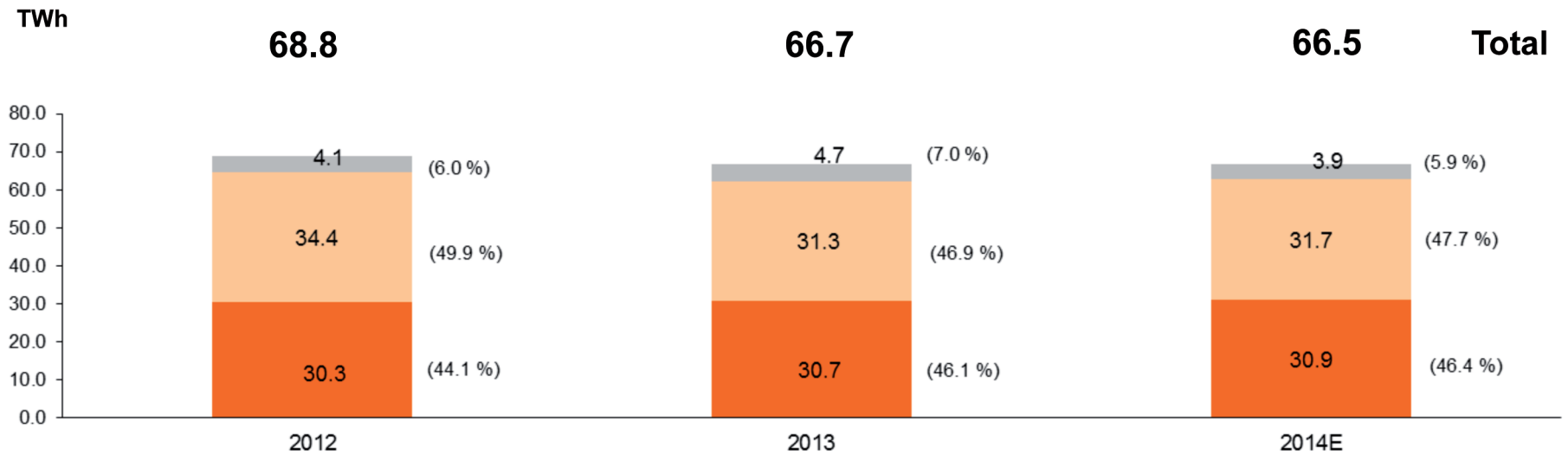
Given current development of the energy market, the decision about the project implementation period was postponed on the grounds that the final decision could be made when the following basic conditions have been met:

- Compliance with the final approved state energy concept of the Czech Republic is confirmed
- Basic conditions for the return on investment are guaranteed

Conditions for the project's return on investment are not met at present

- On April 9, the Czech government adopted a resolution stating that, given the ongoing discussion on the future of power engineering within the EU, it currently does not plan to grant guarantees or a stabilizing mechanism for the construction of low-carbon sources. At the same time, it declared their interest in further development of nuclear power in the Czech Republic, stating that it would prepare a complex plan for this area by the end of 2014.
- On April 10, 2014, ČEZ cancelled the RFP proceedings for construction of new units (EPC contractor selection) while at the same time confirming that preparation of the project as such continues.

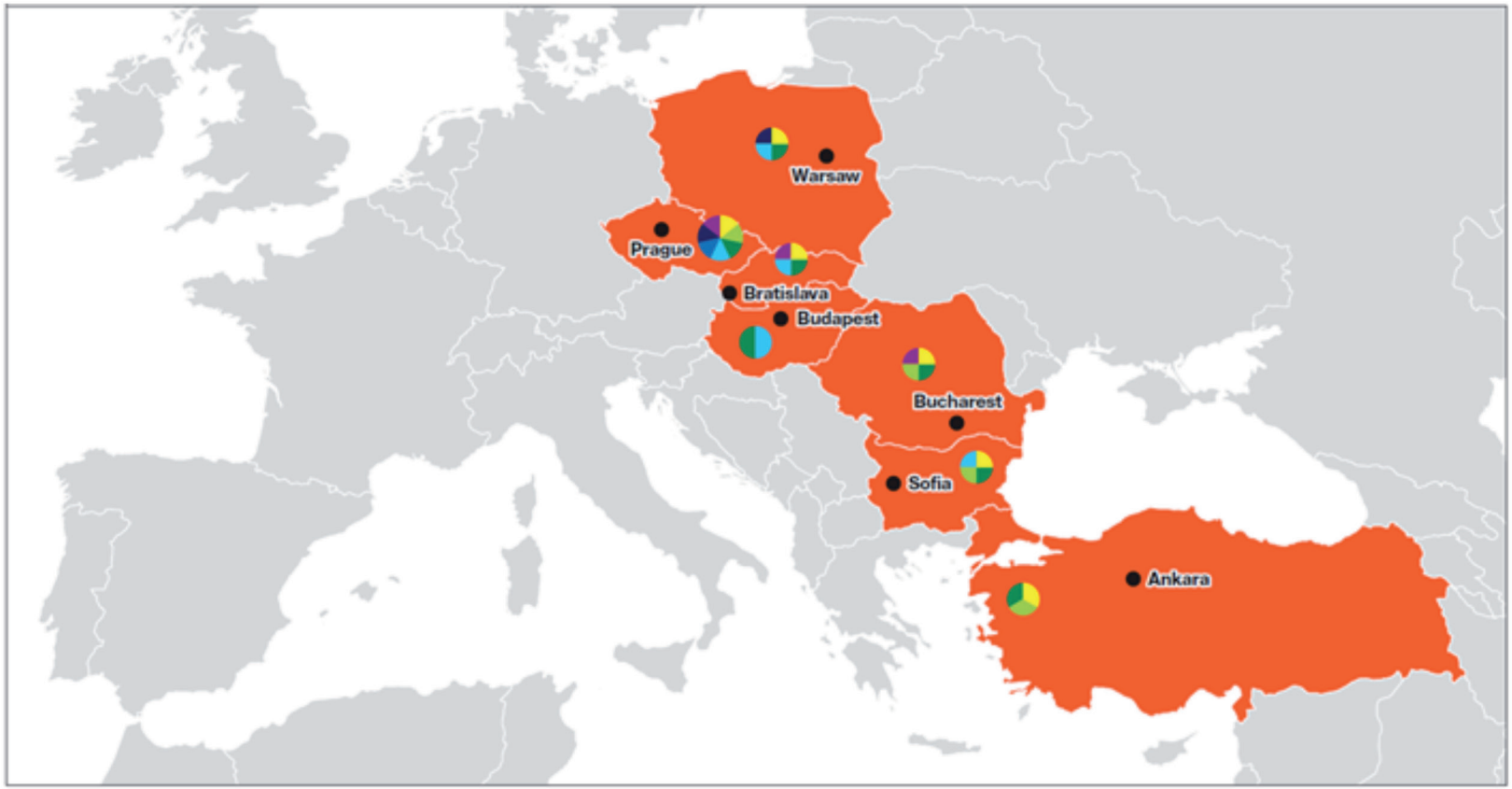
CEZ GROUP ELECTRICITY GENERATION



- Nuclear plants
- Coal-fired, gas and gas-steam plants
- Hydro, photovoltaic and wind plants

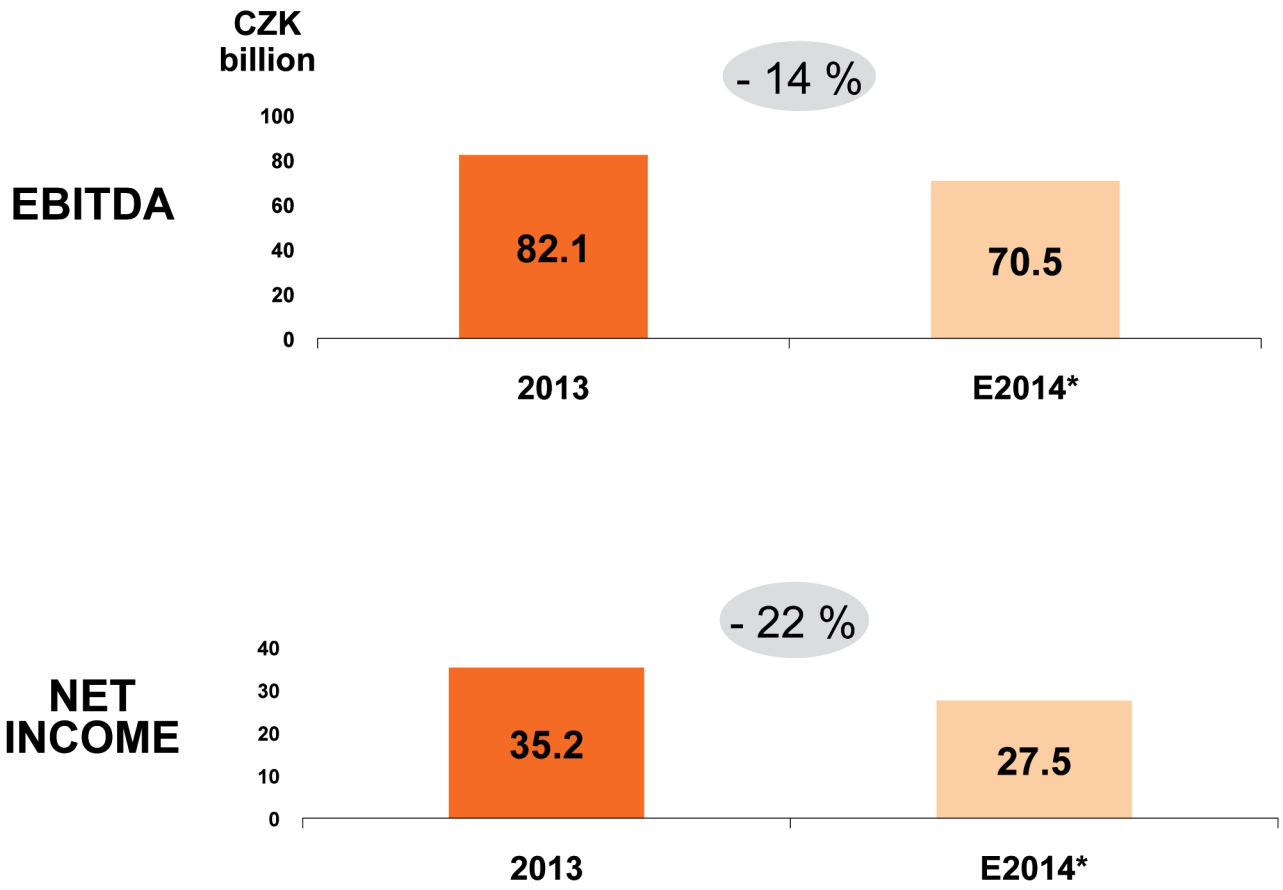
CEZ GROUP IN EUROPE

CEZ Group operations in power engineering according to territories



Note: CEZ Group operated in Albania till 21 January 2013 (distribution and sale of electricity).

IN 2014, EXPECTED EBITDA IS CZK 70.5 BILLION AND NET INCOME ROUGHLY CZK 27.5 BILLION



* based on facts known as of 28 February 2014